

2008

Presque Isle Maine Annual Financial Report 2008

Presque Isle, Me.

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CITY OF PRESQUE ISLE, MAINE

Comprehensive Annual Financial Report

**For the Fiscal Year Ended
December 31, 2008**

**Prepared by:
City of Presque Isle
Finance Department**

CITY OF PRESQUE ISLE, MAINE
Comprehensive Annual Financial Report
For the Fiscal Year Ended December 31, 2008

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INTRODUCTORY SECTION

March 18, 2009

To the City Councilors and
Citizens of Presque Isle

Maine state statutes and the Presque Isle City Charter require that the City issue annually a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended December 31, 2008.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that is established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatement.

Runyon Kersteen Ouellette, Certified Public Accountants, has issued an unqualified ("clean") opinion on the City of Presque Isle, Maine's financial statements for the year ended December 31, 2008. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the City of Presque Isle

The City of Presque Isle, Maine is located in central Aroostook County, the northernmost and largest of Maine's sixteen counties, and the largest county east of the Mississippi River. The city currently occupies approximately 77 square miles and serves a population of 9,500. Presque Isle was first incorporated as a township on April 4, 1859 and incorporated as a city on January 1, 1940. Under Maine statutes, the City is empowered to levy a property tax on both real and personal property within its boundaries.

The City operates under a municipal charter approved by the voters of the community on November 2, 1993 that provides for a council-manager form of government. Policy making and legislative authority is vested in a seven-member City Council. Councilors are all elected on a non-partisan basis for four-year staggered terms. The City Manager is the chief administrative officer of the City and is appointed by the Council, as are the Solicitor and Clerk. The current City Manager has been in his position since 1992.

The City of Presque Isle provides a full range of services, including police and fire protection; the construction and maintenance of highways, streets, sidewalks, and other infrastructure; recreational and cultural activities; landfill; regional airport; social welfare; municipal planning, assessing, building inspection and code enforcement; and general administration and economic development.

The annual budget serves as the foundation for the City's financial planning and control. The budget, which must be in balance, contains estimates of all non-tax revenues and receipts expected to be received during the next fiscal year, expenditures necessary to support City operations, debt service, and capital expenditures. The Council may then make any modifications and recommendations. The City Council is required to hold two public hearings on the proposed budget before final approval. The budget must be approved by a 2/3 majority of the City Council and must be approved before the beginning of the fiscal year. The budget is prepared for the general fund by department.

The budget includes information on the current and preceding fiscal years and requested appropriations for the next fiscal year. The City Manager may transfer resources within a department, promptly notifying the Council in writing of the reallocation. Transfers between departments require special approval from the Council. Expenditures may not legally exceed appropriations at the departmental level without Council approval. Budget-to-actual comparisons are provided on page 28 of this report.

Factors Affecting Financial Condition

Local Economy

The City of Presque Isle is the largest municipality north of Bangor. Through the years, Presque Isle has evolved into a regional service center for commerce, finance, education, health care, recreation, air transportation, and numerous other aspects of life in Aroostook County. This evolutionary process is attributable to several factors including:

- Historical and geographical influences;
- A clear assumption of a leadership role by the municipal government;
- The active involvement of Presque Isle citizens in regional, county, and statewide projects, politics, agencies and organizations;
- The aggressively self-reliant nature that has been characteristic of Aroostook County residents.

These factors have helped to sustain the City in times of economic hardship including the closing of a military installation and a significant downturn in the woods and agriculture industries, all mainstays of the area.

Other factors that contribute to the economic stability of the City include:

- Presque Isle is home to Northern Maine Regional Airport, one of only three airports in the state able to land 30-passenger or greater aircraft.
- Educational opportunities:
 - University of Maine at Presque Isle,
 - Northern Maine Community College,
 - An outstanding public school system.
- Excellent medical services include a local hospital and ambulance service.
- An active Industrial Council, that works to attract new businesses to the area.

The major industries affecting the local economy, agriculture and service, continue to be major components of the region's economic base. The two agriculture industries, potato and woods, continue to struggle. Planted potato acreage, though lower than historical, remains stable. The service industry, on the other hand, continues to grow.

Several new businesses have recently renovated older structures and opened in the downtown area on Main Street. These include: the movie theater, a new restaurant, and a store with 48,000 square feet of retail space. Also on Main Street, a convenience store with 44,000 square feet of retail space and a fueling plaza was also opened on Main St. Currently under construction is a 150 bed national chain hotel.

The City has a balanced and fairly diverse tax base with a 59 to 45 split between residential and commercial property values. The largest single taxpayer in 2008 comprised 3.6 percent of the total tax base, with the top ten taxpayers combined representing 18.7 percent of the total tax base.

Long-term Financial Planning

Each year, in planning for the future, the City identifies those major programs necessary to meet the citizens' needs for services while continuing to meet sharply increasing fixed costs. Among these programs are road repair and construction, vehicle and equipment purchases, building renovations, and recreational activities. These initiatives were done in accordance with the City's basic financial planning document, its five-year Capital Improvement Plan, which is reviewed and updated annually by the City Council as part of the annual budget process. The Finance Department has developed a five-year forecasting model for the municipality that shows the effect on tax requirements for future anticipated revenues and expenditures.

The capital plan for 2009 calls for two new cruisers for the Police Department, a new plow truck for the Public Works Department, and fencing and other runway improvements at the Airport (funded in large part by a Federal Aviation Administration grant).

In addition, this year's Capital Improvement Plan includes continued funding of the reserves for renovating the Indoor Pool, replacements of Public Works equipment, renovations to City Hall and various improvements to buildings at the Industrial Park, and increasing the balance in the emergency fund.

Relevant Financial Policies

Unreserved, undesignated fund balance in the general fund as of December 31, 2008 was 18.7 percent of expenditures. While the City has no written policy regarding the balance that should be maintained, the unwritten policy is to maintain an amount adequate for two months of budgeted expenditures, or 16.7 percent.

Major Initiatives

Landfill The City of Presque Isle initiated a multi-year construction project at its landfill facility in 2007. Planned construction is scheduled for completion in 2010. Total cost is estimated at \$6,310,000 and is financed by a loan from the United States Department of Agriculture.

- Phase I of the project, included the installation of a phased final cover system on two of the four side slopes of the landfill during 2007 - 2008. This cover system will ensure that liquids stay inside the landfill while keeping rainfall out.
- Phase II, planned for 2008 – 2009 is to install a landfill gas system designed to remove flammable gas from the landfill and safely burn it on-site in a flare unit.
- Phase III, planned for 2009-2010 will be an expansion of the existing secure landfill with the installation of a state of the art liner system to protect groundwater.

The landfill expansion will serve our residents with a long-term, environmentally sound means of disposing of our solid waste.

Downtown Revitalization The City of Presque Isle has experienced a renewed interest from a grass roots committee of citizens interested in revitalizing the downtown area. The Downtown Revitalization Committee was born as the result of this initiative and is now recognized as a formal committee of the City. This allows City staff to provide guidance and staff support to the committee.

In the spring of 2008, the City received a report from a private engineering and architectural consulting firm detailing a redevelopment plan for the Central Business District. This *2008 Downtown Master Plan* contains a number of important design goals, strategies, and proposed developments and investments focused on the downtown business district over the next five years. This master plan has already been utilized on three occasions to seek much needed funding for implementation from state and federal sources.

Additionally, the Maine Department of Transportation has dedicated funds toward the redesign of traffic signals throughout Main Street which will incorporate several pedestrian safety/crosswalk features that should improve customers' shopping experience in the downtown area.

The continuing efforts of this committee are a major force as the City looks to revitalize its downtown area.

Community Center In the fall of 2006, the City Council authorized a Community Center Committee tasked with developing a new community center to replace its current recreation and parks building. In 2007 and 2008, the City Council raised funds to hire an architect and engineer to develop conceptual plans for a new community center and assist the committee in its work.

A site selection committee was formed from among the members of the Community Center Committee. This sub-committee identified and examined 30 potential sites within the community. With the assistance of the architect and engineering firms, the list was narrowed to three potential sites. Using a rating system, the preferred site was selected and presented to the Council for consideration and approval. The Council agreed.

The site consists of three individual properties. Two of these sites were purchased in 2008 for a cost of \$310,000 and is to be financed over five years. Negotiations are ongoing for the purchase of the third site.

The Community Center Committee meets on a monthly basis and more often if needed. It is anticipated that this committee will continue its work until the new community center is completed. It was instrumental in defining the need for a new center, location, and purpose. It has worked with the Downtown Revitalization Committee and with the consultant for the downtown master plan in selecting a site that is in the downtown area. As plans for the new Community Center move forward, it will be tasked with exploring potential funding sources and capital campaigns.

Sesquicentennial The City of Presque Isle will celebrate its 150th birthday on April 4, 2009. A Sesquicentennial Committee has planned monthly events throughout the year in recognition of this celebration.

Awards and acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Presque Isle, Maine, for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2007. This was the ninth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated service of the staff of the Finance Department. We wish to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Appreciation is also extended to the accounting firm of Runyon Kersteen Ouellette for its assistance in the preparation and review of this report. Credit must also be given to the City Council for their unfailing support for maintaining the highest standards of professionalism in the City of Presque Isle's finances.

Respectfully submitted,

Thomas Stevens,
City Manager

Priscilla Webb
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Presque Isle
Maine

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in dark ink, appearing to read "K. L. R.", is written above the title "President".

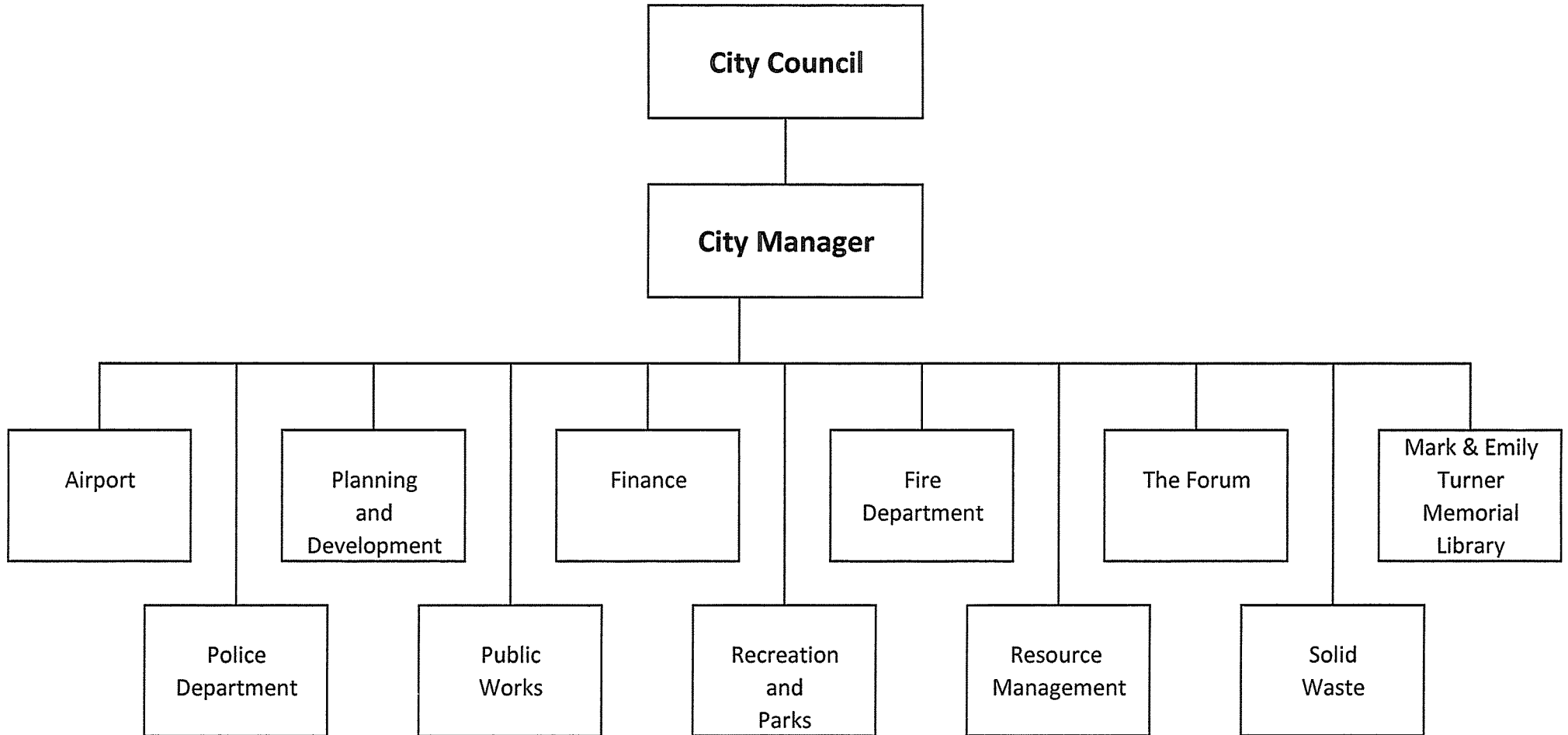
President

A handwritten signature in dark ink, appearing to read "Jeffrey R. Emer", is written above the title "Executive Director".

Executive Director

CITY OF PRESQUE ISLE

Administrative Organizational Structure



**CITY OF PRESQUE ISLE
LIST OF PRINCIPAL OFFICIALS
AT DECEMBER 31, 2008**

Elected Officials

City Council Chair	Walter Elish
City Council Deputy Chair	Edwin Nickerson
Council Member	Don Gardner
Council Member	Calvin Hall
Council Member	G. Melvin Hovey
Council Member	Ron McPherson
Council Member	Jennifer Trombley

Appointed Officials

City Manager	Thomas R. Stevens
Airport Manager	Scott Wardwell
Finance Director	Priscilla Webb
Fire Chief	Darrell White
The Forum Director	James Kaiser
Librarian, Mark and Emily Turner Memorial Library	Sonja Plummer-Morgan
Planning and Development Director	Kenneth Arndt
Police Chief	Naldo Gagnon
Public Works Director	Gerry James
Recreation and Parks Director	Christopher Beaulieu
Resource Management Director	LaNiece Winslow
Solid Waste Director	Dana Fowler

FINANCIAL SECTION



Certified Public Accountants and Business Consultants

Independent Auditor's Report

City Council
City of Presque Isle, Maine

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Presque Isle, Maine as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Presque Isle, Maine's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.


In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Presque Isle, Maine, as of December 31, 2008, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 18, 2009, on our consideration of the City of Presque Isle, Maine's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

City Council
City of Presque Isle, Maine

The management's discussion and analysis as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Presque Isle, Maine's basic financial statements. The introductory section, the combining and individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



March 18, 2009
South Portland, Maine

CITY OF PRESQUE ISLE, MAINE
Management's Discussion and Analysis
December 31, 2008

As management of the City of Presque Isle, we offer this narrative overview and analysis of the financial activities of the City of Presque Isle for the fiscal year ended December 31, 2008. We encourage readers to consider the information presented here along with additional information that is furnished in our letter of transmittal which can be found on pages 1-4 of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- The assets of the City of Presque Isle exceeded its liabilities at the close of 2008 by \$55,539 (net assets). Of this amount, \$7,875 (unrestricted net assets) may be used to meet the city's ongoing obligations to citizens and creditors. This is a decrease of \$585 from 2007.
- The City of Presque Isle's total net assets increased \$6,356 primarily attributable to grants from the Federal Aviation Administration to improve the Airport's runways.
- As of the close of the current fiscal year, the City of Presque Isle's governmental funds reported combined ending fund balances of \$9,408 a decrease of \$1,393 from the previous year. Approximately 90 percent of this total amount, \$8,425 is available for spending at the government's discretion (*unreserved, undesignated fund balance*).
- At December 31, 2008, unreserved, undesignated fund balance for the general fund was \$3,065 or 18.7 percent of total general fund expenditures.
- In 2008 the City of Presque Isle's debt increased \$1,519 (18 percent) due to:
 - \$55 bank loan to finance energy efficient lighting at The Forum,
 - \$109 bank loan to finance purchase of 2008 wheel loader for Public Works,
 - \$310 bank loan to finance the purchase of land for the proposed new Community Center,
 - \$453 bank loan to finance renovations at the Indoor Pool,
 - \$898 advanced on a Bond Anticipation Note, short-term financing to fund the construction of the Landfill Expansion, and
 - \$308 was paid on previously issued debt.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Presque Isle's basic financial statements. The City's financial statements have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements are designed to provide readers with a broad overview of the City of Presque Isle's finances. These statements are presented using the accrual basis of accounting which is similar to the accounting method used by most private sector businesses. There are two Government-wide Financial Statements, the *statement of net assets* and the *statement of activities*.

The *statement of net assets* presents information on all of the City of Presque Isle's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. However, you may also need to consider other non-financial factors, such as changes in the City's property tax base and the condition of the City's infrastructure, to assess the overall health of the City's financial position.

The *statement of activities* presents information showing how the City's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event causing the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused employee vacation leaves).

CITY OF PRESQUE ISLE, MAINE
Management's Discussion and Analysis, Continued

For the City of Presque Isle, all activities are classified as *governmental activities* because they are principally supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 23-24 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Presque Isle, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City are categorized as governmental.

Governmental Funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements are reported using an accounting method called *modified accrual* that measures cash and all other financial assets that can readily be converted to cash. Such information may be useful in evaluating a government's short-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *government funds* with similar information presented for *governmental activities* in the government-wide financial statements. This comparison is presented in the

CITY OF PRESQUE ISLE, MAINE
Management's Discussion and Analysis, Continued

City of Presque Isle Statement of Net Assets At December 31, 2008 and 2007		
	2008	2007 (Restated)
Current and other assets	\$ 12,788	\$ 13,024
Capital assets	53,287	44,710
Total assets	66,075	57,734
Long term debt outstanding	7,355	5,219
Other liabilities	3,180	2,323
Total liabilities	10,535	7,542
Net assets		
Invested in capital assets, net of related debt	47,124	40,067
Restricted	540	657
Unrestricted	7,875	8,459
Total net assets	\$ 55,539	\$ 49,183

An additional portion of the City of Presque Isle's net assets (1 percent) represents resources that are subject to external restrictions on how they may be spent. The remaining balance is *unrestricted net assets* (14 percent) and may be used to meet the City's ongoing obligation to citizens and creditors.

At the end of the current fiscal year, the City of Presque Isle is able to report a positive balance in all three categories of net assets for the government as a whole and for 4 of its 5 major governmental funds; only Airport Projects had a deficit due to expenditures that have not yet been reimbursed by the Federal Aviation Administration. At the end of the prior year, positive balances were reported for the government as a whole and each of its separate fund activities.

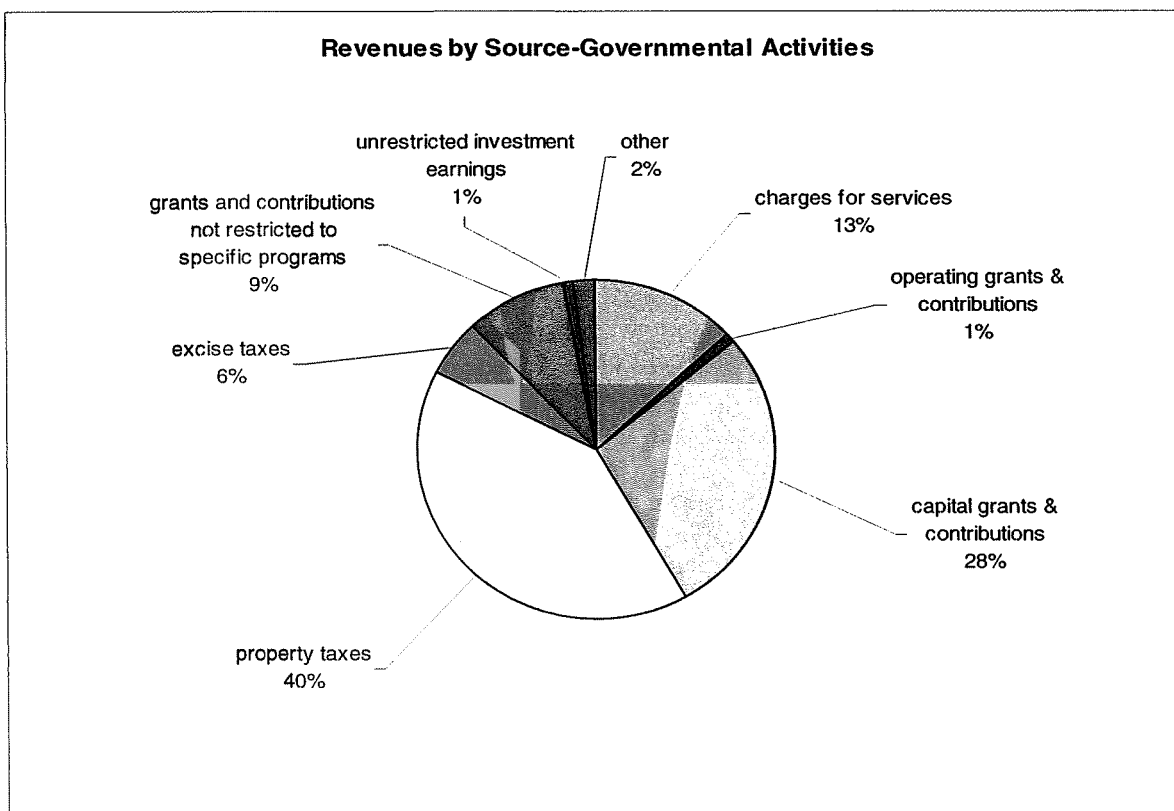
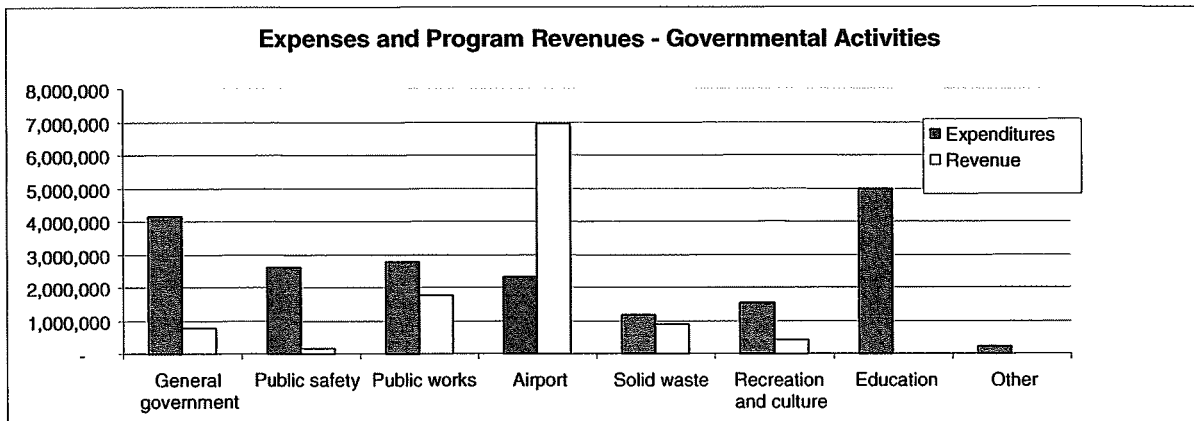
The City's net assets increased \$6,356 during the fiscal year. This increase is primarily attributable to grants from the Federal Aviation Administration to improve the airport runways.

CITY OF PRESQUE ISLE, MAINE
Management's Discussion and Analysis, Continued

City of Presque Isle Statement of Changes in Net Assets For the Years Ending December 31, 2008 and 2007		
	2008	2007 (Restated)
Revenues		
Program revenues		
Charges for services	\$ 3,494	\$ 3,542
Operating grants and contributions	234	746
Capital grants and contributions	7,268	4,793
General revenues:		
Property taxes	10,694	10,558
Excise taxes	1,509	1,524
Grants and contributions not restricted to specific programs	2,361	2,203
Unrestricted investment earnings	271	329
Other	491	427
Total revenues	26,322	24,122
Expenses		
Current		
General government	4,336	4,392
Public safety	2,622	2,652
Public works	2,773	2,654
Airport	2,323	2,185
Solid waste	1,175	1,200
Recreation and culture	1,534	1,511
Education	4,981	5,018
Outside requests	59	58
Interest on debt service	163	164
Total expenses	19,966	19,834
Increase (decrease) in net assets	6,356	4,288
Net assets, as restated -- January 1	49,183	44,895
Net assets -- December 31	\$ 55,539	\$ 49,183

Governmental Activities. Governmental activities resulted in an increase in the City of Presque Isle's net assets of \$6,356. The following charts illustrate total expenditures and revenues by program and revenues by source for all governmental activities.

CITY OF PRESQUE ISLE, MAINE
Management's Discussion and Analysis, Continued



Governmental Activities resulted in the \$6,356 increase in the City's net assets for the year.

- Revenues increased \$2,200 primarily attributable to grants from the FAA for airport runway improvements.
- Expenditures overall remained constant with the previous year.

Financial Analysis of the Government's Funds

As noted earlier, the City of Presque Isle uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The financial reporting focus of the City of Presque Isle's *governmental funds* is to provide information on short-term inflows, outflows and balance of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

CITY OF PRESQUE ISLE, MAINE
Management's Discussion and Analysis, Continued

As of December 31, 2008, the City of Presque's governmental funds reported combined ending fund balances of \$9,408 a decrease of \$1,393 from the prior year. Approximately 90 percent of this total amount (\$8,468) constitutes *unreserved fund balance*, which is available to meet the future financial needs of the City. The remainder of the fund balance (\$940) is *reserved* to indicate that it is not available for new spending because it has already been committed:

- \$699 to account for loans receivable in the UDAG Revolving Fund,
- \$221 to account for an interfund advance,
- \$20 nonexpendable principal in the Permanent Funds, and
- \$44 of the general fund balance is designated to indicate that it is not available for new spending because it has already been committed for specific purposes.

The *general fund* is the central operating fund of the City of Presque Isle. At the end of the current year, unreserved fund balance of the general fund was \$3,109 (\$44 of which was designated by management for subsequent years' expenditures). At the end of the year, there was no *reserved* fund balance in the general fund. Unreserved fund balance represents 19 percent of the total general fund expenditures of \$16,397.

The fund balance of the City of Presque Isle decreased \$356 during the current fiscal year. Significant factors in the decrease include:

- Total actual revenues were \$865 below budget. Categories with the largest negative variances are charges for services (\$668) and taxes (\$247).
- Total expenditures were \$1,087 below budget.
- Budgeted use of surplus of \$550 was used to reduce the amount of property tax revenue required and the remaining \$27 was used for unanticipated capital expenditures.
- For the first time, the General Fund received a transfer from the Emergency Fund in the amount of \$144 to help with the cost of the record breaking snowfall during the last year.

The *UDAG Revolving Fund* manages funds from the Federal Government and is used as a revolving fund for the purpose of lending money for economic development. Currently there are 9 loans outstanding totaling \$699, one inter-city loan in the amount of \$221, and \$1,493 available for lending. A Reserve for Loan Losses in the amount of \$183 was established during the year for the potential loss of one borrower who is expected to file for bankruptcy protection.

At the end of the year, the *UDAG Revolving Fund* had a reserved fund balance of \$920 and an unreserved, undesignated fund balance of \$1,493.

The *Secured Landfill Fund* is the operating fund for Solid Waste. The secured landfill is a joint project with 6 other surrounding communities. The City of Presque Isle funds approximately 80 percent of the operating costs through an appropriation from the General Fund.

The *Airport Projects Fund* is used to monitor the construction projects at the airport that are primarily funded by the Federal Aviation Administration. The deficit in this fund reflects the costs that have been paid and not yet reimbursed. A runway reconstruction project is nearing completion and a new project for fencing and glide path improvements has just started.

Other governmental funds include the activities of all other nonmajor special revenue funds, nonmajor capital projects funds and nonmajor permanent funds.

CITY OF PRESQUE ISLE, MAINE
Management's Discussion and Analysis, Continued

General Fund Budgetary Highlights

The originally adopted budget was increased by \$144 transferred from the Emergency Fund to meet the costs of the unusually high amount of snowfall during the year.

Actual revenue for the general fund totaled \$17,242, \$865 below estimates. Expenditures totaled \$16,956, \$1,087 below estimates. An additional amount of \$577, budgeted use of surplus, was used to meet spending requirements.

Capital Asset and Debt Administration

Capital Assets As of December 31, 2008, the City of Presque Isle's investment in capital assets was \$53,287 (net of depreciation), an increase of \$8,577 or 19 percent from December 31, 2007. This investment in capital assets includes land, buildings, improvements, machinery, equipment, roads, and airport runways.

City of Presque Isle		
Schedule of Capital Assets (net of depreciation)		
At December 31, 2008 and 2007		
	2008	2007
		(restated)
Land	\$ 5,407	\$ 5,015
Construction in progress	9,154	1,644
Works of art and historical treasures	698	698
Buildings and Improvements	12,321	12,631
Improvements other than buildings	1,984	2,122
Machinery & equipment	2,289	1,976
Vehicles	2,484	2,763
Infrastructure	18,944	17,858
Total	<u>\$ 53,286</u>	<u>\$ 44,710</u>

Major capital asset events during the current fiscal year include:

- Purchase of land for the planned new Community Center, \$315;
- Began reconstruction on runways at the airport, \$5,647;
- An additional \$1,462 was spent on the landfill expansion project bringing the total to \$2,657;
- Secured landfill purchased a new compactor \$491;
- Maine Department of Transportation deeded Maple Grove Road to the City, \$1,320.

Additional information about the City of Presque Isle's capital assets can be found in the notes to the financial statements on page 36 of this report.

Long-term debt. At the end of the current fiscal year, the City of Presque Isle had total bonded debt outstanding of \$3,167. All of the City's outstanding bonded debt is backed by the full faith and credit of the City.

CITY OF PRESQUE ISLE, MAINE
Management's Discussion and Analysis, Continued

City of Presque Isle Schedule of General Obligation Bonds At December 31, 2008 and 2007		
	2008	2007
General obligation bonds	\$ 3,167	\$ 3,456
Total	\$ 3,167	\$ 3,456

The City of Presque Isle's total bonded debt decreased by \$289, or 8.4 percent, during the year ended December 31, 2008.

State statutes limit the amount of general obligation debt a municipality may incur to 7.5 percent of its total state assessed valuation. The current debt limitation for the City is \$36,814, which is significantly in excess of the City of Presque Isle's outstanding general obligation debt.

In addition, the City has \$967 outstanding in bank loans.

Additional information on the City of Presque Isle's long-term debt can be found in the notes to the financial statements on pages 38-39 of this report.

Economic Factors and Next Year's Budget

In preparing the 2009 budget, the City management and officials considered many factors in making judgments and estimates about the finances of the upcoming year. A primary objective was to continue to provide basic services to the citizens of the City while attempting to keep the property tax low.

During the 2009 fiscal year, the City's management will continue to monitor and evaluate local economic conditions. Items of concern include:

Revenue projections:

- A reduction in the Municipal Revenue Sharing pool resulting from a slowdown in sales tax receipts and changes in how the State calculates the revenue sharing pool;
- A weakening in consumer confidence may translate into lower vehicle excise revenues, tax collections, and building permits;
- Decreasing interest rates may lead to reduced investment income.

Expenditure projections:

- Potential increases in health insurance for employees;
- Continuing uncertainty in the State budget regarding local school funding is a concern. While the school district is separate from the City, the City is responsible for 76 percent of the School District's funding at this time. Currently, the school district requires an increase of 3 percent each year to maintain its current level of services. If the state should decrease its funding, the City would need to proportionately increase its share.

Requests for Information

This financial report is designed to provide a general overview of the City of Presque Isle's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 12 Second Street, Presque Isle, Maine 04769.

BASIC FINANCIAL STATEMENTS

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CITY OF PRESQUE ISLE, MAINE
Statement of Net Assets
December 31, 2008

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 9,804,519
Investments	913,418
Due from other governments	100,072
Accounts receivable	227,459
Taxes receivable	816,049
Tax liens and tax acquired property	228,312
Loans receivable (net of allowance of \$182,988)	698,508
Capital assets, not being depreciated	15,261,753
Capital assets, net of accumulated depreciation	38,024,874
Total assets	66,074,964
LIABILITIES	
Accounts payable	459,482
Accrued liabilities	61,212
Accrued compensated absences	425,582
Accrued interest	39,237
Other postemployment benefits liability	166,170
Bond anticipation notes payable	2,028,491
Non-current liabilities:	
Due within one year	506,102
Due in more than one year	6,849,273
Total liabilities	10,535,549
NET ASSETS	
Invested in capital assets, net of related debt	47,124,474
Restricted for:	
Permanent Funds - Nonexpendable principal	20,000
Permanent Funds - Expendable	520,361
Unrestricted	7,874,580
Total net assets	\$ 55,539,415

See accompanying notes to financial statements.

CITY OF PRESQUE ISLE, MAINE
Statement of Activities
For the year ended December 31, 2008

Functions/programs	Expenses	Program Revenues			Net (expense) revenue and changes in net assets
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary Government
					Governmental activities
Primary government:					
Governmental activities:					
General government	\$ 4,336,222	775,474	19,230	-	(3,541,518)
Public safety	2,622,451	98,440	61,855	-	(2,462,156)
Public works	2,773,241	13,017	-	1,760,038	(1,000,186)
Airport	2,322,768	1,430,242	-	5,508,030	4,615,504
Solid waste	1,175,127	761,725	131,471	-	(281,931)
Recreation and culture	1,533,570	415,189	21,034	-	(1,097,347)
Education	4,981,055	-	-	-	(4,981,055)
Outside requests	58,620	-	-	-	(58,620)
Interest on debt service	163,307	-	-	-	(163,307)
Total governmental activities	19,966,361	3,494,087	233,590	7,268,068	(8,970,616)
Total primary government	\$ 19,966,361	3,494,087	233,590	7,268,068	(8,970,616)
General revenues:					
Property taxes, levied for general purposes				\$	10,693,926
Motor vehicle excise taxes					1,452,219
Cable television franchise					56,916
Grants and contributions not restricted to specific programs:					
State Revenue Sharing					1,988,085
Homestead exemption					298,542
Other State aid					74,018
Unrestricted investment earnings					271,354
Miscellaneous					491,266
Total general revenues					15,326,326
Change in net assets					6,355,710
Net assets - beginning, as restated					49,183,705
Net assets - ending					\$ 55,539,415

See accompanying notes to financial statements.

CITY OF PRESQUE ISLE, MAINE
Balance Sheet
Governmental Funds
December 31, 2008

	General	UDAG Revolving Fund	Secured Landfill	Airport Projects	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 9,683,267	-	-	-	121,252	9,804,519
Investments	494,309	-	-	-	419,109	913,418
Due from other governments	100,072	-	-	-	-	100,072
Accounts receivable	227,459	-	-	-	-	227,459
Taxes receivable	816,049	-	-	-	-	816,049
Tax liens and tax acquired property	228,312	-	-	-	-	228,312
Loans receivable (net of allowance of \$182,988)	-	698,508	-	-	-	698,508
Interfund loans receivable	-	1,492,960	18,172	-	5,674,370	7,185,502
Interfund advance	-	221,450	-	-	-	221,450
Total assets	\$ 11,549,468	2,412,918	18,172	-	6,214,731	20,195,289
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	459,482	-	-	-	-	459,482
Accrued liabilities	61,212	-	-	-	-	61,212
Interfund loans payable	7,089,020	-	-	96,482	-	7,185,502
Bond anticipation notes payable	-	-	-	-	2,028,491	2,028,491
Interfund advance	-	-	-	-	221,450	221,450
Deferred tax revenue	831,000	-	-	-	-	831,000
Total liabilities	8,440,714	-	-	96,482	2,249,941	10,787,137
Fund balances (deficit):						
Reserved for:						
Nonexpendable principal	-	-	-	-	20,000	20,000
Loans receivable	-	698,508	-	-	-	698,508
Interfund advances	-	221,450	-	-	-	221,450
Unreserved, reported in:						
General fund - designated	43,620	-	-	-	-	43,620
General fund - undesignated	3,065,134	-	-	-	-	3,065,134
Special revenues	-	1,492,960	-	-	2,609,529	4,102,489
Capital projects	-	-	18,172	(96,482)	814,900	736,590
Permanent funds	-	-	-	-	520,361	520,361
Total fund balances (deficit)	3,108,754	2,412,918	18,172	(96,482)	3,964,790	9,408,152
Total liabilities and fund balances	\$ 11,549,468	2,412,918	18,172	-	6,214,731	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	53,286,627
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	831,000
Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds:	
Accrued compensated absences	(425,582)
Accrued interest	(39,237)
Other postemployment benefits liability	(166,170)
Landfill closure	(3,221,713)
Bonds and notes payable	(4,133,662)

Net assets of governmental activities

\$ 55,539,415

See accompanying notes to financial statements.

CITY OF PRESQUE ISLE, MAINE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended December 31, 2008

	General	UDAG Revolving Fund	Secured Landfill	Airport Projects	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	\$ 11,907,145	-	-	-	-	11,907,145
Intergovernmental	2,389,367	-	131,471	5,508,030	303,435	8,332,303
Licenses, permits, and fees	231,886	-	110,560	-	-	342,446
Charges for services	2,322,005	-	651,165	-	10,238	2,983,408
Unclassified	305,978	-	-	41,017	369,420	716,415
Interest earned	86,045	93,947	-	-	91,362	271,354
Total revenues	17,242,426	93,947	893,196	5,549,047	774,455	24,553,071
Expenditures:						
Current:						
General government	2,940,956	182,988	-	-	244,745	3,368,689
Public safety	2,250,049	-	-	-	119,871	2,369,920
Public works	2,008,029	-	-	-	94,508	2,102,537
Airport	1,569,056	-	-	5,656,072	47,837	7,272,965
Solid waste	2,695	-	922,576	-	357,906	1,283,177
Recreation and culture	1,360,254	-	-	-	602,164	1,962,418
Education	4,981,055	-	-	-	-	4,981,055
Outside requests	58,620	-	-	-	-	58,620
Intergovernmental	554,661	-	-	-	-	554,661
Unclassified	135,076	3	-	-	4,881	139,960
Debt service	426,615	-	44,751	-	-	471,366
Capital outlay	109,980	-	-	-	2,199,556	2,309,536
Total expenditures	16,397,046	182,991	967,327	5,656,072	3,671,468	26,874,904
Excess (deficiency) of revenues over (under) expenditures	845,380	(89,044)	(74,131)	(107,025)	(2,897,013)	(2,321,833)
Other financing sources (uses):						
Transfers in	148,600	-	554,600	50,000	1,474,656	2,227,856
Transfers out	(1,460,085)	(25,300)	(523,278)	-	(219,193)	(2,227,856)
Proceeds from bonds/notes	109,980	-	-	-	818,554	928,534
Total other financing sources (uses)	(1,201,505)	(25,300)	31,322	50,000	2,074,017	928,534
Net change in fund balances	(356,125)	(114,344)	(42,809)	(57,025)	(822,996)	(1,393,299)
Fund balances (deficit), beginning of year, as restated	3,464,879	2,527,262	60,981	(39,457)	4,787,786	10,801,451
Fund balances (deficit), end of year	\$ 3,108,754	2,412,918	18,172	(96,482)	3,964,790	9,408,152

See accompanying notes to financial statements.

CITY OF PRESQUE ISLE, MAINE
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended December 31, 2008

Net change in fund balances - total governmental funds (from Statement 4)	\$	(1,393,299)
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Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$10,915,083) exceeded loss on disposal of assets (\$148,037) and depreciation expense (\$2,190,724).		8,576,322
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This represents the change in deferred revenues.		239,000
Change in accruals are recorded on the statement of net assets, but not on the governmental fund balance sheet - accrued compensated absences (\$51,102), accrued interest (\$186), and other postemployment benefits liability (\$166,170).		(217,458)
Changes in long-term liabilities on the statement of net assets, are expenditures in the governmental funds. This is the change of the landfill closure liability.		(228,566)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which note proceeds (\$928,534) exceed bond and note repayments (\$308,245).		(620,289)

Change in net assets of governmental activities (see Statement 2)	\$	6,355,710
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See accompanying notes to financial statements.

CITY OF PRESQUE ISLE, MAINE
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Budgetary Basis - General Fund
For the year ended December 31, 2008

	Budget		Actual	Variance with final budget positive (negative)
	Original	Final		
Revenues:				
Taxes	\$ 12,153,899	12,153,899	11,907,145	(246,754)
Intergovernmental	2,370,609	2,370,609	2,389,367	18,758
Licenses, permits, and fees	177,500	177,500	231,886	54,386
Charges for services	2,990,600	2,990,600	2,322,005	(668,595)
Unclassified	280,225	280,225	305,978	25,753
Interest earned	135,000	135,000	86,045	(48,955)
Total revenues	18,107,833	18,107,833	17,242,426	(865,407)
Expenditures:				
Current:				
General government	2,997,525	3,043,650	2,940,956	102,694
Public safety	2,201,700	2,266,400	2,250,049	16,351
Public works	2,098,225	2,202,925	2,086,005	116,920
Airport	2,108,775	2,163,875	1,569,056	594,819
Solid waste	613,200	556,875	557,295	(420)
Recreation and culture	1,369,075	1,445,722	1,360,254	85,468
Education	4,981,055	4,981,055	4,981,055	-
Agency	60,900	60,900	58,620	2,280
Intergovernmental	554,661	554,661	554,661	-
Other	425,717	290,413	171,607	118,806
Debt service	534,550	476,200	426,615	49,585
Total expenditures	17,945,383	18,042,676	16,956,173	1,086,503
Excess (deficiency) of revenues over (under) expenditures	162,450	65,157	286,253	221,096
Other financing sources (uses):				
Budgeted use of surplus	550,000	577,343	-	(577,343)
Transfer in	25,300	148,600	148,600	-
Transfers out	(737,750)	(791,100)	(790,978)	122
Total other financing sources (uses)	(162,450)	(65,157)	(642,378)	(577,221)
Net change in fund balance	-	-	(356,125)	(356,125)
Fund balance, beginning of year			3,464,879	
Fund balance, end of year	\$		3,108,754	

See accompanying notes to financial statements.

CITY OF PRESQUE ISLE, MAINE
Notes to Basic Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Presque Isle, Maine functions under a City Manager - City Council form of government.

The financial statements of the City of Presque Isle have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Reporting Entity

This report includes all funds of the City of Presque Isle, Maine. An analysis of certain criteria was made to determine if other governmental units should be included in this report. In evaluating how to define the reporting entity for financial reporting purposes, management has considered all potential component units. The criterion used defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. Application of this criterion and determination of type of presentation involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens.

It is the City's judgment, based on all pertinent facts derived from the analysis of these criteria, that there are no entities that would be considered potential component units within the City of Presque Isle that should be included as part of these financial statements.

Related Organization

The Presque Isle Industrial Council is organized to formulate and implement an industrial development program for the City of Presque Isle, Maine. The Industrial Council is also responsible for the management of the Skyway Industrial Park. All debt held by the Presque Isle Industrial Council is guaranteed by the City.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The City has elected not to allocate indirect costs among the programs, functions and segments. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

CITY OF PRESQUE ISLE, MAINE
Notes to Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The City does not have proprietary or fiduciary funds.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as certain compensated absences and claims and judgments, are recorded only when the payment is due.

Those revenues susceptible to accrual are property taxes, interest, and charges for services. Other receipts and taxes become measurable and available when cash is received by the City and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The UDAG Revolving Loan Fund accounts for the UDAG loan funds held by the City.

The Secured Landfill fund accounts for operations at the Landfill.

The Airport Projects fund accounts for various airport projects funded by the Federal Aviation Administration.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

CITY OF PRESQUE ISLE, MAINE
Notes to Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

D. Cash, Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits as well as time deposits and certificates of deposit owned by the City. State statutes authorize the City to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, money market mutual funds and repurchase agreements.

Investments are stated at fair value.

E. Interfund Loans

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "interfund loans receivable" or "interfund loans payable" on the balance sheet.

F. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. If material, interest incurred during the construction phase of capital assets of governmental activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	5 - 50
Buildings	25 - 50
Building improvements	5 - 40
Furniture and fixtures	5 - 50
Vehicles	5 - 30
Machinery and equipment	2 - 30
Infrastructure	5 - 50

G. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The City provides vesting for vacation and sick leave benefits based upon length of employment. All vacation and sick leave pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

CITY OF PRESQUE ISLE, MAINE
Notes to Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

H. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities on the statement of net assets.

I. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

J. Interfund Transactions

Quasi-external transactions are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

K. Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. However, comparative data has not been presented in all statements because its inclusion would make certain statements unduly complex and difficult to understand.

L. Use of Estimates

Preparation of the City's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent items at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds and capital leases payable and adding back any unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

CITY OF PRESQUE ISLE, MAINE
Notes to Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The City's net assets invested in capital assets, net of related debt was calculated as follows at December 31, 2008:

	Governmental <u>activities</u>
Capital assets	\$ 90,681,820
Accumulated depreciation	(37,395,193)
Bond anticipation note payable	(2,028,491)
<u>Bonds and notes payable</u>	<u>(4,133,662)</u>
 <u>Total invested in capital assets, net of related debt</u>	 <u>\$ 47,124,474</u>

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

An annual budget is adopted by the City Council for the General Fund. The budget is prepared in accordance with accounting principles generally accepted in the United States of America. The legal level of budgetary control is at the department level.

The City employs encumbrance accounting in the governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. The City did not have outstanding encumbrances at year end.

B. Excess of Expenditures Over Appropriations

For the year ended December 31, 2008, expenditures exceeded appropriations in the following categories:

Resource management	\$ 2,336
Legal services	2,470
Police department	30,223
Echo Lake	420

Police department overages were covered by excess intergovernmental and miscellaneous income.

C. Deficit Fund Balances

At December 31, 2008, the following funds had deficit fund balances:

Airport projects	\$ 96,482
Outside grants	178
Police grants	4,428
Homeland security	160
Echo Lake	844
Cunningham School	221,450
Solid waste expansion	2,656,528
Septic systems	2,860

These deficits will be funded by future grant revenue, charges for services, bond proceeds, or transfers.

CITY OF PRESQUE ISLE, MAINE
Notes to Basic Financial Statements, Continued

DEPOSITS AND INVESTMENTS

As of December 31, 2008, the City had the following investments and maturities, some of which are classified as cash and cash equivalents:

	<u>Fair value</u>	<u>Less than 1 year</u>	<u>1-5 years</u>	<u>More than 5 years</u>
Money market	\$ 127,023	127,023	-	-
Federal Home Loan Bank	106,402	51,351	55,051	-
Corporate bonds	49,288	-	49,288	-
Common stock	185,178		not applicable	
2a7-like investment pool	494,309		not applicable	
Mutual funds	78,241		not applicable	
Total investments	\$ 1,040,441	178,374	104,339	-

Custodial credit risk- deposits – In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of December 31, 2008, none of the City's bank balance of \$9,859,940 was exposed to custodial credit risk. In accordance with its investment policy, the City's funds can only be invested in financial institutions that are insured by the Federal Deposit Insurance Corporation (FDIC), the National Credit Union Share Insurance Fund or the successors to these federal agencies. Any funds deposited or invested above the \$250,000 insurance limit should be collateralized by the financial institution, or the excess funds should be placed with another financial institution.

Custodial credit risk- investments – For investments, this is the risk that in the event of failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Of the City's \$127,023 investment in money market accounts, 100% was collateralized by underlying securities held by the related bank, in the City's name. In accordance with its investment policy, the City's funds can only be invested in financial institutions that are insured by the Federal Deposit Insurance Corporation (FDIC), the National Credit Union Share Insurance Fund or the successors to these federal agencies.

Any funds deposited or invested above the \$250,000 insurance limit should be collateralized by the financial institution, or the excess funds should be placed with another financial institution.

Credit risk – Maine statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements and certain corporate stocks and bonds. U.S. Treasury Notes are not rated. As of December 31, 2008, the City's investments in Federal Home Loan Banks and Federal Home Loan Mortgage were rated AAA by Standard & Poor's. The City's investments in corporate bonds were rated A by Standard and Poor's. The City currently does not have an investment policy for credit risk.

Interest rate risk – Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates have subsequently increased. Accordingly, holders of debt securities in the situation just described face the prospect of a loss should those securities be sold prior to maturity, even though cash flows under the debt contract remain unaffected by changes in interest rates. The City currently does not have a deposit policy for interest rate risk.

CITY OF PRESQUE ISLE, MAINE
Notes to Basic Financial Statements, Continued

PROPERTY TAX

Property taxes for the current period were committed on July 1, 2008 on the assessed value listed as of the prior April 1 for all real and personal property located in the City. Assessed values are periodically established by the City's Assessor at 100% of assumed market value.

The City is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay, and amounted to \$69,517 for the year ended December 31, 2008.

Tax liens are placed on real property within twelve months following the tax commitment date if taxes are delinquent. The City has the authority to foreclose on property eighteen months after the filing of the lien if the tax liens and associated costs remain unpaid.

Property taxes levied during the period were recorded as receivables at the time the levy was made. The receivables collected during the period and in the first sixty days following the end of the period have been recorded as revenues. The remaining receivables have been recorded as deferred revenues.

The following summarizes the levy:

	<u>2008</u>	<u>2007</u>
Assessed value	\$ 461,977,300	402,308,610
Tax rate (per \$1,000)	23.15	26.15
Commitment	10,694,774	10,520,370
Add:		
Supplementals	11,487	13,267
Total commitment	10,706,261	10,533,637
Less:		
Abatements	20,045	4,468
Collections	9,937,132	9,863,246
Current year taxes receivable at end of year	749,084	665,923
Taxes and liens receivable - prior years	313,649	147,553
Total taxes and liens receivable	\$ 1,062,733	813,476
Due date:	October 15, 2008	October 17, 2007
Interest rate on delinquent taxes	11.00%	12.00%
Collection rate	93.00%	93.67%

CITY OF PRESQUE ISLE, MAINE
Notes to Basic Financial Statements, Continued

CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended December 31, 2008 was as follows:

	Balance December 31, 2007 (Restated)	Increases	Decreases	Balance December 31, 2008
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 5,015,067	392,745	-	5,407,812
Construction in progress	1,644,090	7,510,861	-	9,154,951
Works of art & historical treasures	698,990	-	-	698,990
Total capital assets not being depreciated	7,358,147	7,903,606	-	15,261,753
Capital assets, being depreciated:				
Land improvements	8,644,609	-	-	8,644,609
Buildings	23,080,988	-	376,900	22,704,088
Building improvements	5,908,026	341,718	-	6,249,744
Furniture and fixtures	348,547	5,646	157,730	196,463
Machinery and equipment	5,936,380	760,038	1,889,335	4,807,083
Vehicles	5,244,939	50,411	95,316	5,200,034
Infrastructure	25,852,445	1,853,664	88,063	27,618,046
Total capital assets being depreciated	75,015,934	3,011,477	2,607,344	75,420,067
Less accumulated depreciation for:				
Land improvements	6,522,408	137,456	-	6,659,864
Buildings	13,001,614	373,235	376,900	12,997,949
Building improvements	3,355,436	278,960	-	3,634,396
Furniture and fixtures	255,796	12,514	157,730	110,580
Machinery and equipment	4,052,578	291,881	1,741,298	2,603,161
Vehicles	2,481,601	329,524	95,316	2,715,809
Infrastructure	7,994,343	767,154	88,063	8,673,434
Total accumulated depreciation	37,663,776	2,190,724	2,459,307	37,395,193
Total capital assets being depreciated, net	37,352,158	820,753	148,307	38,024,874
Governmental activities capital assets, net	\$ 44,710,305	8,724,359	148,307	53,286,627

Depreciation expense was charged to functions/programs of the primary government as follows:

General government	\$ 314,262
Public safety	268,530
Public works	560,020
Airport	764,241
Solid waste	156,515
Recreation	127,156
Total depreciation expense	\$ 2,190,724

CITY OF PRESQUE ISLE, MAINE
Notes to Basic Financial Statements, Continued

LONG-TERM DEBT

Long-term liability activity for the year ended December 31, 2008, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Governmental activities:					
General obligation bonds	\$ 3,456,003	-	289,319	3,166,684	336,582
Notes payable	57,370	928,534	18,926	966,978	169,520
Landfill closure	2,993,147	228,566	-	3,221,713	-
Compensated absences	374,480	257,666	206,564	425,582	249,840
Governmental activities long-term liabilities	\$ 6,881,000	1,414,766	514,809	7,780,957	755,942

Long-term debt payable at December 31, 2008 is comprised of the following:

	<u>Date of issue</u>	<u>Original amount issued</u>	<u>Date of maturity</u>	<u>Interest rate</u>	<u>Balance December 31, 2008</u>
Bonds payable:					
1988 Landfill Bond	7/7/1988	\$ 486,735	11/1/2011	5.00-7.85%	117,145
2001 Public Safety Building Bond	10/25/2001	2,600,000	11/1/2021	3.25-5.125%	1,690,000
2003 Refunding Bond (1)	6/10/2003	209,444	6/10/2013	5.65%	83,427
2005 Ladder Truck Bond	3/18/2005	300,000	3/18/2012	4.40%	174,111
2007 Public Works Garage Bond	10/25/2007	1,145,000	11/1/2025	2.00-6.00%	1,102,001
Total bonds payable					3,166,684
Notes payable:					
2006 Plow Truck Note	5/2/2006	70,136	4/30/2011	4.71%	44,021
2008 Forum Lighting	4/22/2008	55,000	4/22/2013	3.75%	55,000
2008 Wheel Loader	5/20/2008	109,980	5/20/2012	3.75%	109,980
2008 Community Center Land	10/21/2008	310,000	10/21/2016	3.85%	304,423
2008 Pool Renovations Note	12/24/2008	453,554	12/24/2013	3.35%	453,554
Total notes payable					966,978
Total bonds and notes payable					\$ 4,133,662

(1) This bond was paid off in full in January 2009.

CITY OF PRESQUE ISLE, MAINE
Notes to Basic Financial Statements, Continued

LONG-TERM DEBT, CONTINUED

The annual requirements to amortize long-term debt outstanding as of December 31, 2008 are as follows:

	<u>Bonds payable</u>			<u>Notes payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 336,582	147,843	484,425	169,520	32,962	202,482
2010	258,643	135,050	393,693	175,723	26,758	202,481
2011	265,815	122,017	387,832	182,156	20,326	202,482
2012	227,222	108,729	335,951	172,598	13,622	186,220
2013	183,329	100,092	283,421	147,376	7,510	154,886
2014-2018	950,402	370,496	1,320,898	119,605	6,647	126,252
2019-2023	766,445	119,920	886,365	-	-	-
2024-2025	178,246	6,130	184,376	-	-	-
Total	\$ 3,166,684	1,110,277	4,276,961	966,978	107,825	1,074,803

The City is subject to a statutory limitation, by the State of Maine, of its general long-term debt equal to 15% of the State's valuation of the City (only 7.5% is applicable to the City of Presque Isle). At December 31, 2008, the statutory limit for the City was \$36,813,750. The City's outstanding long-term debt of \$3,166,684 at December 31, 2008 was \$33,647,066 less than the statutory limit.

In addition to the notes and bonds payable, the City is contingently responsible for the following overlapping debt as of December 31, 2008:

<u>Governmental Unit</u>	<u>Net debt outstanding</u>	<u>Applicable to Presque Isle</u>	<u>City of Presque Isle's share of debt</u>
M.S.A.D. #1	\$ 2,914,884	75.32%	2,195,491

The City of Presque Isle is a guarantor for the Presque Isle Industrial Council for two notes payable to Northern Maine Development Commission. The amounts of the two notes payable at December 31, 2008 were \$217,686 and \$10,540.

SHORT-TERM DEBT

The City issues tax anticipation notes to cover cash shortfalls during the year. The City also issued bond anticipation notes for projects that will be funded by future bond issues. Short-term debt activity for the year ended December 31, 2008, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>
Tax anticipation notes	\$ -	2,500,000	2,500,000	-
<u>Bond anticipation notes – Landfill</u>	<u>1,129,662</u>	<u>898,829</u>	<u>-</u>	<u>2,028,491</u>
Total	\$ 1,129,662	3,398,829	2,500,000	2,028,491

The City Council authorized debt not to exceed \$6,310,000 for a landfill project. The current bond anticipation notes outstanding will be paid off when the City issues general obligation bonds. The bond anticipation note is for a total of \$6,310,000 at an interest rate of 4.12% and is due on August 19, 2010.

CITY OF PRESQUE ISLE, MAINE
Notes to Basic Financial Statements, Continued

LANDFILL

The City records a liability for the estimated costs of landfill closure and postclosure care, as required by government authorities. As of December 31, 2008, the estimated closure cost was \$3,422,516 and the estimated postclosure care cost was \$1,496,130 (\$49,871 per year) for a total estimated liability of \$4,918,646. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. A portion of these costs may ultimately be reimbursed by the State of Maine.

The landfill has an estimated remaining life in excess of 13 years. An estimated 65.5 percent of the landfill capacity has been used up as of December 31, 2008. The City has recognized a liability in the government-wide financial statements based on percentage used as of December 31, 2008, of \$2,241,748 for closure, and \$979,965 for postclosure costs for a total liability of \$3,221,713. The City voluntarily funds a reserve account for landfill closure and postclosure care, which had a balance of \$1,572,753 on December 31, 2008. The City also maintains a reserve account for solid waste activities, which had a balance of \$1,075,417 at the end of 2008. The total amount available in the reserve accounts is \$2,648,170.

INTERFUND BALANCES AND ADVANCES

As of December 31, 2008, interfund loans receivable and payable were as follows:

<u>Fund</u>	<u>Interfund receivable</u>	<u>Interfund payable</u>
General Fund	\$ -	7,089,020
UDAG Revolving Fund	1,492,960	-
Secured Landfill	18,172	-
Airport Projects	-	96,482
Nonmajor Special Revenues:		
Special Revenues	71,361	-
Emergency Reserves	1,308,133	-
Restricted Reserves	1,230,035	-
Nonmajor Capital Projects:		
Reserves	905,012	-
Solid Waste Reserves	2,020,133	-
Restricted Reserves	19,469	-
Street Overlay	120,227	-
Total interfund balances	\$ 7,185,502	7,185,502

The purpose of interfund loans is to charge revenues and expenditures to the appropriate fund when that activity is accounted for through the centralized checking account. The balances represent each fund's portion of the centralized checking account.

CITY OF PRESQUE ISLE, MAINE
Notes to Basic Financial Statements, Continued

INTERFUND BALANCES AND ADVANCES

As of December 31, 2008, interfund advance receivable and payable were as follows:

<u>Fund</u>	<u>Interfund advance receivable</u>	<u>Interfund advance payable</u>
UDAG Revolving Fund	\$ 221,450	-
Nonmajor Capital Projects:		
Reserves	-	221,450
Total interfund advances	\$ 221,450	221,450

The purpose of the interfund advance was for the demolition of a building on the Cunningham School property. The advance will be repaid after the sale of the property.

INTERFUND TRANSFERS

As of December 31, 2008, interfund transfers were as follows:

<u>Fund</u>	<u>Transfers in</u>	<u>Transfers out</u>
General Fund	\$ 148,600	1,460,085
UDAG Revolving Fund	-	25,300
Secured Landfill	554,600	523,278
Airport Projects	50,000	-
Nonmajor Special Revenues:		
Special Revenues	28,225	-
Emergency Reserves	89,650	123,300
Restricted Reserves	70,489	-
Nonmajor Capital Projects:		
Reserves	639,145	95,893
Solid Waste Reserves	523,278	-
Restricted Reserves	45,893	-
Street Overlay	77,976	-
Total interfund transfers	\$ 2,227,856	2,227,856

The primary purpose of the transfers is to move unrestricted revenues from various funds to finance various programs and capital projects that the City must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or match funds for various grant programs.

DESIGNATED AND RESERVED FUND BALANCES

As of December 31, 2008, general fund designated fund balance amounts were as follows:

Designated:	
Wage adjustments	\$ 40,000
Historical Society	2,280
Drug/asset forfeiture	1,340
Total designated fund balances	\$ 43,620

CITY OF PRESQUE ISLE, MAINE
Notes to Basic Financial Statements, Continued

DESIGNATED AND RESERVED FUND BALANCES

As of December 31, 2008, UDAG Revolving reserved fund balance amounts were as follows:

Reserved:	
Loans receivable	\$ 698,508
Interfund advances	221,450
Total reserved fund balances	\$ 919,958

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM (MAINE PERS)

Description of the Plan - The City contributes to Maine Public Employees Retirement System, an agent multiple-employer public employee retirement system established by the Maine State legislature. The Maine Public Employees Retirement System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the State Legislature. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Consolidated Plan. That report may be obtained by writing to Maine Public Employees Retirement System, 46 State House Station, Augusta, Maine 04333-0046 or by calling 1-800-451-9800.

The City's status as a withdrawn participating local district requires that the City continue to fund the plan on an actuarially sound basis for liabilities of any currently active, inactive vested, or retired participants. This plan is not available to any non-participating current employees or new hires. The City's participating employees are eligible for normal retirement upon attaining age 60 and early retirement after completing 25 or more years of service. Participants are fully vested after 10 years of service.

Funding Policy - Plan members are required to contribute 6.5% (8.0% for fire and police department employees) of their annual covered salary and the City of Presque Isle is required to contribute an actuarially determined rate. The current rate is 2.8% of covered payroll. The contribution rates of plan members and the City of Presque Isle are established and may be amended by the Maine Public Employee Retirement System Board of Trustees. The City's contributions to the Maine Public Employees Retirement System Consolidated Plan for the year ended December 31, 2008, 2007, and 2006 were \$42,624, \$47,112 and \$44,625, respectively, and were equal to the required contribution less the unfunded actuarial liability credit for each year.

Unfunded Actuarial Accrued Liability Credit – Effective June 30, 1996, the City withdrew from the Maine State Retirement System and opted not to join into the Consolidated Plan. As a participant of the plan, the City is entitled to its unfunded actuarial accrued asset. At June 30, 2008, the City had an unfunded actuarial accrued asset of \$2,063,705.

DEFINED CONTRIBUTION PLAN

The City of has established a 401 Retirement Plan to be effective as of July 1, 1996. Employees who were enrolled in the MainePERS plan as of July 1, 1996 have the option of changing to this plan. All eligible employees hired subsequent to July 1, 1996 will only be able to enroll in the 401 Retirement Plan. The plan was established as a money purchase pension plan and trust to be known as the City of Presque Isle Money Purchase Pension Plan and Trust. All employees with 1,000 hours of service within twelve consecutive months from the date of hire or any subsequent anniversary are eligible to participate in the plan. Benefits fully vest after four years of service.

CITY OF PRESQUE ISLE, MAINE
Notes to Basic Financial Statements, Continued

DEFINED CONTRIBUTION PLAN, CONTINUED

Under the plan, the City is required to contribute 6% of a participant's earnings for the plan year. Participating police and fire personnel receive contributions of 8% of their earnings for the plan year. For the years ended December 31, 2008, 2007 and 2006, the City contributed \$144,551, \$108,650 and \$105,682, respectively. Plan provisions and contribution requirements are established and may be amended by the City Council.

DEFERRED COMPENSATION PLAN

The City of Presque Isle offers certain permanent employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to City employees as part of a collective bargaining agreement and to the City elected officials and assistants to department heads, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The plan is being maintained by ICMA Retirement Corporation.

RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors, and omissions, and natural disasters for which the City either carries commercial insurance, or participates in public entity risk pools.

Based on the coverage provided by these pools, as well as certain coverage provided by commercial insurance purchased, the City is not aware of any material actual or potential claim liabilities which should be recorded at December 31, 2008.

CONTINGENT LIABILITIES

Grant Funds – Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

TAX INCREMENT FINANCING DISTRICTS

The City has established two tax increment financing districts under the terms of applicable state laws. The Lowe's TIF is a credit enhancement agreement to help the company offset costs of a capital improvement. The City will make available to Lowe's a set amount of \$30,000 of tax increment revenues per year for five years (2007-2011) for a total of \$150,000. Details of the MMG Insurance TIF are as follows.

	<u>Original value</u>	<u>Increase in value</u>	<u>TIF cap</u>	<u>Captured value</u>	<u>Captured tax</u>
MMG Insurance TIF	\$ 1,717,300	2,384,300	75%	1,788,225	41,400

CITY OF PRESQUE ISLE, MAINE
Notes to Basic Financial Statements, Continued

COMMITMENTS

The City has entered into contracts in connection with the reconstruction of runways at the airport. The following is a summary of the commitments at December 31, 2008:

	<u>Contract Total</u>	<u>Percentage Complete</u>	<u>Billed to Date</u>	<u>Retainage</u>	<u>Balance Remaining</u>
Construction contract	\$ 5,684,876	94.44%	4,831,981	536,887	316,008
Engineering contract	793,421	90.38%	717,112	-	76,309

RESTATEMENT OF FUND BALANCE

During 2008, the City determined that bond anticipation notes should have been recorded in the Solid Waste Expansion fund. The restatement of fund balance is as follows:

	<u>Fund Balance</u>
Fund deficit, January 1, 2008, as previously reported	\$ (81,358)
<u>Addition of bond anticipation notes payable</u>	<u>(1,129,662)</u>
<u>Fund deficit, January 1, 2008, as restated</u>	<u>\$ (1,211,020)</u>

RESTATEMENT OF NET ASSETS

During 2008, the City determined that certain capital assets needed to be removed from their listing. The result has been a restatement of net assets on the entity-wide level only; the changes have no effect on the fund financial statements. The restatement of net assets is as follows:

	<u>Net Assets</u>
Net assets, January 1, 2008, as previously reported	\$ 50,191,693
Removal of capital assets	(2,875,453)
<u>Removal of accumulated depreciation</u>	<u>1,867,465</u>
<u>Net assets, January 1, 2008, as restated</u>	<u>\$ 49,183,705</u>

CITY OF PRESQUE ISLE, MAINE
Notes to Basic Financial Statements, Continued

OTHER POST EMPLOYMENT BENEFITS

The Governmental Accounting Standards Board (GASB) recently promulgated its Statement 45 which addressed the reporting and disclosure requirements for other post employment benefits (OPEB). GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, was implemented, as required, by the City of Presque Isle for the year ended December 31, 2008. Under this pronouncement, it requires that the long-term cost of retirement health care and obligations for other postemployment benefits be determined on an actuarial basis and reported similar to pension plans.

The City is a member of the Maine Municipal Employees Health Trust. The Health Trust contracted with an outside consultant to assist in the determination and valuation of the City's OPEB liability under GASB Statement 45. An OPEB liability actuarial valuation was completed by the consultants in May 2009.

Plan Descriptions – In addition to providing pension benefits, the City provides health care benefits for certain retired employees. Eligibility to receive health care benefits follows the same requirements as MainePERS. Eligible retirees are required to pay 100% of the health insurance premiums to receive health benefit coverage.

Funding Policy and Annual OPEB Cost – GASB Statement 45 does not mandate the prefunding of postemployment benefits liability. The City currently plans to fund these benefits on a pay-as-you-go basis. No assets have been segregated and restricted to provide postemployment benefits. The annual required contribution (ARC), an actuarial determined rate, represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize unfunded actuarial liabilities over a period not to exceed thirty years.

The following table represents the OPEB costs for the year and the annual required contribution:

Normal Cost	\$ 66,665
Amortization of Unfunded	93,114
<u>Interest</u>	<u>6,391</u>
Annual Required Contribution	\$ 166,170

Funding Status and Funding Progress – The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ending December 31, 2008 was as follows:

Annual required contribution	\$ 166,170
Actual contribution	0
Percent contributed	0.00%
Actuarial accrued liability	\$ 1,674,527
<u>Plan assets</u>	<u>0</u>
Unfunded actuarial accrued liability	\$ 1,674,527
Covered payroll	4,097,354
Unfunded actuarial accrued liability as a percentage of covered payroll	40.87%

CITY OF PRESQUE ISLE, MAINE
Notes to Basic Financial Statements, Continued

OTHER POST EMPLOYMENT BENEFITS, CONTINUED

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information (only one year available) that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions – Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and plan members at that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of plan assets. Significant methods and assumptions were as follows:

Actuarial valuation date	1/1/09
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	30 years
Actuarial assumptions:	
Investment rate of return	4.0%
Projected salary increases	N/A
Healthcare inflation rate	4.0% - 9.6%

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress

Retiree Healthcare Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a) /c]
12/31/08	\$ -	\$1,674,527	\$1,674,527	0.00%	\$4,097,354	40.87%

GENERAL FUND

The General Fund is the general operating fund of the City. All general tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. The fund pays general operating expenditures, fixed charges and capital improvement costs which are not paid through other funds.

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CITY OF PRESQUE ISLE, MAINE
General Fund
Comparative Balance Sheets
December 31, 2008 and 2007

	2008	2007
ASSETS		
Cash and cash equivalents	\$ 9,683,267	9,626,915
Investments	494,309	482,837
Due from other governments	100,072	249,842
Accounts receivable	227,459	252,278
Taxes receivable	816,049	708,161
Tax liens and tax acquired property	228,312	86,906
Total assets	\$ 11,549,468	11,406,939
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	459,482	473,625
Accrued liabilities	61,212	27,512
Interfund loans payable	7,089,020	6,848,923
Deferred tax revenue	831,000	592,000
Total liabilities	8,440,714	7,942,060
Fund balances:		
Unreserved:		
Designated	43,620	13,000
Undesignated	3,065,134	3,451,879
Total fund balances	3,108,754	3,464,879
Total liabilities and fund balances	\$ 11,549,468	11,406,939

CITY OF PRESQUE ISLE, MAINE
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Budgetary Basis
For the year ended December 31, 2008
(with comparative actual amounts for the year ended December 31, 2007)

	2008		Variance positive (negative)	2007 Actual
	Budget	Actual		
Revenues:				
Taxes:				
Property	\$ 10,699,774	10,447,212	(252,562)	10,472,547
Less: TIF financing plan	(71,400)	(71,400)	-	(56,961)
Excise	1,443,100	1,452,219	9,119	1,472,532
Interest and penalties	63,500	63,909	409	66,840
Payments in lieu of taxes	18,925	15,205	(3,720)	19,249
Total taxes	12,153,899	11,907,145	(246,754)	11,974,207
Intergovernmental:				
State Revenue Sharing	1,996,825	1,988,085	(8,740)	1,878,482
Homestead reimbursement	298,542	298,542	-	310,601
BETE reimbursement	46,592	46,592	-	-
Police department	-	28,722	28,722	224,997
Other	28,650	27,426	(1,224)	13,790
Total intergovernmental	2,370,609	2,389,367	18,758	2,427,870
Licenses, permits, and fees:				
Permits and fees	127,500	174,970	47,470	113,935
Cable franchise fee	50,000	56,916	6,916	51,284
Total licenses, permits, and fees	177,500	231,886	54,386	165,219
Charges for services:				
Airport	2,036,750	1,389,225	(647,525)	1,234,121
Industrial rentals	561,600	537,296	(24,304)	595,851
Forum	270,250	279,527	9,277	283,410
Indoor pool	86,500	82,879	(3,621)	89,167
Recreation	27,000	24,578	(2,422)	27,598
Other	8,500	8,500	-	8,250
Total charges for services	2,990,600	2,322,005	(668,595)	2,238,397
Unclassified:				
Tax acquired revenues	1,000	737	(263)	320
Planning and development	-	1,420	1,420	993
Finance	700	1,036	336	1,517
Fire department	7,000	9,340	2,340	7,803
General government	37,775	38,663	888	42,578
Library	6,500	9,467	2,967	6,121
Police department	84,025	89,100	5,075	87,081
Public works	7,500	13,017	5,517	15,169
Resource management	22,325	22,089	(236)	20,895
Employee benefits/insurances	47,875	59,845	11,970	58,100
Other	65,525	61,264	(4,261)	66,906
Total unclassified	280,225	305,978	25,753	307,483
Interest earned	135,000	86,045	(48,955)	114,036
Total revenues	18,107,833	17,242,426	(865,407)	17,227,212

CITY OF PRESQUE ISLE, MAINE
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Budgetary Basis
For the year ended December 31, 2008
(with comparative actual amounts for the year ended December 31, 2007)

	Budget	Actual	Variance positive (negative)	2007 Actual
Expenditures:				
Current:				
General government:				
Administration	\$ 236,575	233,418	3,157	219,643
Finance	321,675	308,912	12,763	298,060
Employee benefits	1,414,200	1,357,151	57,049	1,364,340
Insurances	182,950	174,908	8,042	171,482
Resource management	153,150	155,486	(2,336)	142,548
Industrial Council	336,425	323,000	13,425	305,000
Planning and development	374,675	361,611	13,064	333,437
Legal services	24,000	26,470	(2,470)	29,196
Total general government	3,043,650	2,940,956	102,694	2,863,706
Public safety:				
Police department	1,186,225	1,216,448	(30,223)	1,331,212
Fire department	804,350	781,867	22,483	759,066
Ambulance	103,000	101,388	1,612	101,388
Public safety building	172,825	150,346	22,479	143,898
Total public safety	2,266,400	2,250,049	16,351	2,335,564
Public works:				
Public works	1,648,300	1,536,732	111,568	1,425,808
Street lights	174,025	168,685	5,340	165,403
Hydrant rental	380,600	380,588	12	351,696
Total public works	2,202,925	2,086,005	116,920	1,942,907
Airport	2,163,875	1,569,056	594,819	1,304,511
Solid waste:				
Solid waste (transfer to secured landfill fund)	554,600	554,600	-	526,988
Echo Lake	2,275	2,695	(420)	2,275
Total solid waste	556,875	557,295	(420)	529,263
Recreation:				
Parks and recreation	675,175	600,764	74,411	578,548
Library	317,600	313,761	3,839	285,620
Forum	452,947	445,729	7,218	405,628
Total recreation	1,445,722	1,360,254	85,468	1,269,796

CITY OF PRESQUE ISLE, MAINE
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Budgetary Basis
For the year ended December 31, 2008
(with comparative actual amounts for the year ended December 31, 2007)

	Budget	Actual	Variance positive (negative)	2007 Actual
Expenditures, continued:				
Current, continued:				
Education	\$ 4,981,055	4,981,055	-	5,017,959
Outside requests:				
Chamber of Commerce	13,150	13,150	-	13,150
Home and Family Services	4,500	4,500	-	4,500
Aroostook Area Agency on Aging	4,500	4,500	-	4,500
Central Aroostook Soil and Water	1,175	1,175	-	1,175
RC&D	250	250	-	250
Quoggy Joe Ski Club	7,650	7,650	-	7,650
PI Snowmobile Club	4,500	4,500	-	4,500
Nordic Heritage Ski Club	15,000	15,000	-	15,000
Veterans Cemetery	100	100	-	100
American Red Cross	2,575	2,575	-	2,575
Miscellaneous requests	7,500	5,220	2,280	5,000
Total outside requests	60,900	58,620	2,280	58,400
Intergovernmental - County tax	554,661	554,661	-	514,577
Unclassified:				
Elections	28,796	25,366	3,430	14,701
Maine Municipal dues	9,875	10,190	(315)	9,875
Cemeteries	3,450	3,409	41	3,119
Annual reports	3,000	2,500	500	2,340
Contingency	70,325	25,802	44,523	12,521
Northern Maine Development Commission	17,850	17,682	168	17,845
Central Aroostook Humane Society	13,325	13,315	10	13,315
Sister Mary O'Donnell Shelter	9,525	9,511	14	9,511
Downtown Revitalization Commission	14,550	14,267	283	10,659
Management audit	25,000	25,342	(342)	-
Tax acquired property costs	10,000	9,007	993	-
Other	15,200	15,216	(16)	12,748
Overlay	69,517	-	69,517	6,039
Total unclassified	290,413	171,607	118,806	112,673
Debt service:				
Principal	240,440	240,440	-	186,569
Interest	235,760	186,175	49,585	144,376
Total debt service	476,200	426,615	49,585	330,945
Total expenditures	18,042,676	16,956,173	1,086,503	16,280,301
Excess (deficiency) of revenues over (under) expenditures	65,157	286,253	221,096	946,911
Other financing sources (uses):				
Budgeted use of surplus/designated	577,343	-	(577,343)	-
Transfers in	148,600	148,600	-	148,161
Transfers out	(791,100)	(790,978)	122	(896,019)
Total other financing sources (uses)	(65,157)	(642,378)	(577,221)	(747,858)
Net change in fund balance	-	(356,125)	(356,125)	199,053
Fund balance, beginning of year		3,464,879		3,265,826
Fund balance, end of year	\$	3,108,754		3,464,879

ALL OTHER GOVERNMENTAL FUNDS

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CITY OF PRESQUE ISLE, MAINE
All Other Governmental Funds
Combining Balance Sheet
December 31, 2008

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Nonmajor Permanent Funds	Total Other Governmental Funds
ASSETS				
Cash and cash equivalents	\$ -	-	121,252	121,252
Investments	-	-	419,109	419,109
Interfund loan receivable	2,609,529	3,064,841	-	5,674,370
Total assets	\$ 2,609,529	3,064,841	540,361	6,214,731
LIABILITIES AND FUND BALANCES				
Liabilities:				
Bond anticipation notes payable	-	2,028,491	-	2,028,491
Interfund advances	-	221,450	-	221,450
Total liabilities	-	2,249,941	-	2,249,941
Fund balances:				
Reserved for:				
Nonexpendable principal	-	-	20,000	20,000
Undesignated, reported in:				
Special revenues	2,609,529	-	-	2,609,529
Capital projects	-	814,900	-	814,900
Permanent funds	-	-	520,361	520,361
Total fund balances	2,609,529	814,900	540,361	3,964,790
Total liabilities and fund balances	\$ 2,609,529	3,064,841	540,361	6,214,731

CITY OF PRESQUE ISLE, MAINE
All Other Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended December 31, 2008

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Nonmajor Permanent Funds	Total Other Governmental Funds
Revenues:				
Charges for services	\$ 10,238	-	-	10,238
Intergovernmental	73,397	230,038	-	303,435
Investment income	74,278	104,377	(87,293)	91,362
Other	140,022	229,398	-	369,420
Total revenues	297,935	563,813	(87,293)	774,455
Expenditures:				
General government	37,365	190,235	17,145	244,745
Public safety	46,778	65,693	7,400	119,871
Public works	-	94,508	-	94,508
Airport	15,295	32,542	-	47,837
Solid waste	-	357,906	-	357,906
Recreation and culture	35,603	566,561	-	602,164
Capital outlay	500	2,199,056	-	2,199,556
Other	-	-	4,881	4,881
Total expenditures	135,541	3,506,501	29,426	3,671,468
Excess (deficiency) of revenues over (under) expenditures	162,394	(2,942,688)	(116,719)	(2,897,013)
Other financing sources (uses):				
Proceeds from bonds/notes	-	818,554	-	818,554
Transfers in	188,364	1,286,292	-	1,474,656
Transfers out	(123,300)	(95,893)	-	(219,193)
Total other financing sources (uses)	65,064	2,008,953	-	2,074,017
Net change in fund balances	227,458	(933,735)	(116,719)	(822,996)
Fund balances, beginning of year, as restated	2,382,071	1,748,635	657,080	4,787,786
Fund balances, end of year	\$ 2,609,529	814,900	540,361	3,964,790

NONMAJOR SPECIAL REVENUE FUNDS

Nonmajor special revenue funds account for specific resources, the expenditure of which is restricted by law or administrative action for particular purposes.

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CITY OF PRESQUE ISLE, MAINE
Nonmajor Special Revenue Funds
Combining Balance Sheet
December 31, 2008

	Special Revenues	Emergency Reserves	Restricted Reserves	Total
ASSETS				
Interfund loans receivable	\$ 71,361	1,308,133	1,230,035	2,609,529
Total assets	\$ 71,361	1,308,133	1,230,035	2,609,529
LIABILITIES AND FUND BALANCES				
Liabilities:				
Interfund loans payable	-	-	-	-
Total liabilities	-	-	-	-
Fund balances:				
Unreserved:				
Undesignated	71,361	1,308,133	1,230,035	2,609,529
Total fund balances	71,361	1,308,133	1,230,035	2,609,529
Total liabilities and fund balances	\$ 71,361	1,308,133	1,230,035	2,609,529

CITY OF PRESQUE ISLE, MAINE
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended December 31, 2008

	Special Revenues	Emergency Reserves	Restricted Reserves	Total
Revenues:				
Charges for services	\$ 10,238	-	-	10,238
Intergovernmental	30,467	-	42,930	73,397
Interest earned	-	64,054	10,224	74,278
Other	29,531	-	110,491	140,022
Total revenues	70,236	64,054	163,645	297,935
Expenditures:				
Current:				
General government	-	20,400	16,965	37,365
Public safety	9,509	-	37,269	46,778
Airport	-	-	15,295	15,295
Recreation and culture	35,204	-	399	35,603
Capital outlay	-	-	500	500
Other	-	-	-	-
Total expenditures	44,713	20,400	70,428	135,541
Excess (deficiency) of revenues over (under) expenditures	25,523	43,654	93,217	162,394
Other financing sources (uses):				
Transfers in	28,225	89,650	70,489	188,364
Transfers out	-	(123,300)	-	(123,300)
Total other financing sources and (uses)	28,225	(33,650)	70,489	65,064
Net change in fund balances	53,748	10,004	163,706	227,458
Fund balances, beginning of year	17,613	1,298,129	1,066,329	2,382,071
Fund balances, end of year	\$ 71,361	1,308,133	1,230,035	2,609,529

CITY OF PRESQUE ISLE, MAINE
Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended December 31, 2008

	Recreation Programs	Cost Recovery	Softball	Downing Park	Police Bloodhound	Outside Grants	Wellness Grant
Revenues:							
Charges for services	\$ 4,700	1,463	3,975	-	-	-	-
Intergovernmental	-	-	-	-	-	26,333	4,134
Other	-	-	-	-	5	-	-
Total revenues	4,700	1,463	3,975	-	5	26,333	4,134
Expenditures:							
Current:							
Public safety	-	-	-	-	76	9,433	-
Recreation and culture	1,733	2,321	3,724	-	-	17,078	5,257
Total expenditures	1,733	2,321	3,724	-	76	26,511	5,257
Excess (deficiency) of revenues over (under) expenditures	2,967	(858)	251	-	(71)	(178)	(1,123)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	3,225
Total other financing sources and (uses)	-	-	-	-	-	-	3,225
Net change in fund balances	2,967	(858)	251	-	(71)	(178)	2,102
Fund balances (deficits), beginning of year	11,871	1,727	4,030	1,716	111	-	1,725
Fund balances (deficits), end of year	\$ 14,838	869	4,281	1,716	40	(178)	3,827

CITY OF PRESQUE ISLE, MAINE
Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended December 31, 2008

	Retirement Payouts	Library Books	Revitalization Committee	Rec Facility	Donation Fuel Oil	Appraisals	Total
Revenues:							
Charges for services	\$ -	-	-	100	-	-	10,238
Intergovernmental	-	-	-	-	-	-	30,467
Other	-	6,163	500	-	1,013	21,850	29,531
Total revenues	-	6,163	500	100	1,013	21,850	70,236
Expenditures:							
Current:							
Public safety	-	-	-	-	-	-	9,509
Recreation and culture	-	5,091	-	-	-	-	35,204
Total expenditures	-	5,091	-	-	-	-	44,713
Excess (deficiency) of revenues over (under) expenditures	-	1,072	500	100	1,013	21,850	25,523
Other financing sources (uses):							
Transfers in	25,000	-	-	-	-	-	28,225
Total other financing sources and (uses)	25,000	-	-	-	-	-	28,225
Net change in fund balances	25,000	1,072	500	100	1,013	21,850	53,748
Fund balances (deficits), beginning of year	(9,358)	3,247	381	2,163	-	-	17,613
Fund balances (deficits), end of year	\$ 15,642	4,319	881	2,263	1,013	21,850	71,361

CITY OF PRESQUE ISLE, MAINE
Restricted Reserve Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended December 31, 2008

	UDAG	CDBG	REDRLP	Compre-	Industrial
	Revolving	Loan	Loan	hensive	Council
	Loan Fund	Funds	Funds	Plan	Land Sales
	Buildings				
Revenues:					
Intergovernmental	\$ -	-	-	-	-
Interest earned	8,409	271	84	-	1,460
Other	46,850	-	-	-	-
Total revenues	55,259	271	84	-	1,460
Expenditures:					
Current:					
General government	-	-	815	1,150	-
Public safety	-	-	-	-	-
Airport	-	-	-	-	-
Recreation and culture	-	-	-	-	-
Capital outlay	-	-	-	-	500
Total expenditures	-	-	815	1,150	500
Excess (deficiency) of revenues over (under) expenditures	55,259	271	(731)	(1,150)	960
Other financing sources (uses):					
Transfers in	48,639	-	-	-	-
Total other financing sources and (uses)	48,639	-	-	-	-
Net change in fund balances	103,898	271	(731)	(1,150)	960
Fund balances (deficits), beginning of year	363,041	7,275	110,384	1,327	84,570
Fund balances (deficits), end of year	\$ 466,939	7,546	109,653	177	85,530

CITY OF PRESQUE ISLE, MAINE
Restricted Reserve Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended December 31, 2008

	Intermodal Rail Yard	Police Grants	Library Grants	Fire Department Grants	Industrial Council Office Park
Revenues:					
Intergovernmental	\$ 4,230	13,641	-	10,059	-
Interest earned	-	-	-	-	-
Other	-	914	-	-	7,419
Total revenues	4,230	14,555	-	10,059	7,419
Expenditures:					
Current:					
General government	-	-	-	-	-
Public safety	-	20,911	-	16,358	-
Airport	-	-	-	-	-
Recreation and culture	-	-	399	-	-
Capital outlay	-	-	-	-	-
Total expenditures	-	20,911	399	16,358	-
Excess (deficiency) of revenues over (under) expenditures	4,230	(6,356)	(399)	(6,299)	7,419
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Total other financing sources and (uses)	-	-	-	-	-
Net change in fund balances	4,230	(6,356)	(399)	(6,299)	7,419
Fund balances (deficits), beginning of year	54,931	1,928	900	6,299	312,951
Fund balances (deficits), end of year	\$ 59,161	(4,428)	501	-	320,370

CITY OF PRESQUE ISLE, MAINE
Restricted Reserve Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended December 31, 2008

	Airport PFC	Homeland Security	Planning & Development Grants	Total
Revenues:				
Intergovernmental	\$ -	-	15,000	42,930
Interest earned	-	-	-	10,224
Other	47,024	-	8,284	110,491
Total revenues	47,024	-	23,284	163,645
Expenditures:				
Current:				
General government	-	-	15,000	16,965
Public safety	-	-	-	37,269
Airport	15,295	-	-	15,295
Recreation and culture	-	-	-	399
Capital outlay	-	-	-	500
Total expenditures	15,295	-	15,000	70,428
Excess (deficiency) of revenues over (under) expenditures	31,729	-	8,284	93,217
Other financing sources (uses):				
Transfers in	-	-	21,850	70,489
Total other financing sources and (uses)	-	-	21,850	70,489
Net change in fund balances	31,729	-	30,134	163,706
Fund balances (deficits), beginning of year	122,883	(160)	-	1,066,329
Fund balances (deficits), end of year	\$ 154,612	(160)	30,134	1,230,035

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NONMAJOR CAPITAL PROJECT FUNDS

Nonmajor capital project funds account for capital projects undertaken by the City.

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CITY OF PRESQUE ISLE, MAINE
Nonmajor Capital Project Funds
Combining Balance Sheet
December 31, 2008

	Reserves	Solid Waste Reserves	Restricted Reserves	Street Overlay	Total
ASSETS					
Interfund loans receivable	\$ 905,012	2,020,133	19,469	120,227	3,064,841
Total assets	\$ 905,012	2,020,133	19,469	120,227	3,064,841
LIABILITIES AND FUND BALANCES					
Liabilities:					
Bond anticipation notes payable	-	2,028,491	-	-	2,028,491
Interfund advance	221,450	-	-	-	221,450
Total liabilities	221,450	2,028,491	-	-	2,249,941
Fund balances (deficits):					
Unreserved:					
Undesignated	683,562	(8,358)	19,469	120,227	814,900
Total fund balances (deficits)	683,562	(8,358)	19,469	120,227	814,900
Total liabilities and fund balances	\$ 905,012	2,020,133	19,469	120,227	3,064,841

CITY OF PRESQUE ISLE, MAINE
Nonmajor Capital Projects Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended December 31, 2008

	Reserves	Solid Waste Reserves	Restricted Reserves	Street Overlay	Total
Revenues:					
Intergovernmental	\$ -	-	-	230,038	230,038
Interest earned	-	104,377	-	-	104,377
Other	58,850	-	300	170,248	229,398
Total revenues	58,850	104,377	300	400,286	563,813
Expenditures:					
Current:					
General government	190,235	-	-	-	190,235
Public safety	65,693	-	-	-	65,693
Public works	94,508	-	-	-	94,508
Airport	32,542	-	-	-	32,542
Solid waste	-	357,906	-	-	357,906
Recreation and culture	553,847	-	12,714	-	566,561
Capital outlay	7,508	1,445,508	320,850	425,190	2,199,056
Total expenditures	944,333	1,803,414	333,564	425,190	3,506,501
Excess (deficiency) of revenues over (under) expenditures	(885,483)	(1,699,037)	(333,264)	(24,904)	(2,942,688)
Other financing sources (uses):					
Proceeds from bonds/notes	508,554	-	310,000	-	818,554
Transfers in	639,145	523,278	45,893	77,976	1,286,292
Transfers out	(95,893)	-	-	-	(95,893)
Total other financing sources and (uses)	1,051,806	523,278	355,893	77,976	2,008,953
Net change in fund balances	166,323	(1,175,759)	22,629	53,072	(933,735)
Fund balances (deficits), beginning of year, as restated	517,239	1,167,401	(3,160)	67,155	1,748,635
Fund balances (deficits), end of year	\$ 683,562	(8,358)	19,469	120,227	814,900

CITY OF PRESQUE ISLE, MAINE
Reserve Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended December 31, 2008

	Police Department	Fire Department	Recreation and Parks	Library	City Hall	Public Works	Airport
Revenues:							
Other	\$ -	610	-	-	-	265	1,122
Total revenues	-	610	-	-	-	265	1,122
Expenditures:							
General government	-	-	-	-	33,981	-	-
Public safety	59,736	5,957	-	-	-	-	-
Public works	-	-	-	-	-	87,164	-
Airport	-	-	-	-	-	-	32,542
Recreation and culture	-	-	412,320	26,665	-	-	-
Capital outlay	-	-	-	-	-	-	-
Total expenditures	59,736	5,957	412,320	26,665	33,981	87,164	32,542
Excess (deficiency) of revenues over (under) expenditures	(59,736)	(5,347)	(412,320)	(26,665)	(33,981)	(86,899)	(31,420)
Other financing uses:							
Proceeds from bonds/notes	-	-	453,554	-	-	-	-
Transfers in	53,000	20,000	89,456	5,000	50,000	151,100	21,000
Transfers out	-	-	(45,893)	-	-	-	-
Total other financing uses	53,000	20,000	497,117	5,000	50,000	151,100	21,000
Net change in fund balances	(6,736)	14,653	84,797	(21,665)	16,019	64,201	(10,420)
Fund balances (deficits), beginning of year	10,062	28,676	97,710	25,677	18,600	23,579	123,697
Fund balances (deficits), end of year	\$ 3,326	43,329	182,507	4,012	34,619	87,780	113,277

CITY OF PRESQUE ISLE, MAINE
Reserve Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended December 31, 2008

	Industrial Council	Forum	Echo Lake	FAA	Downtown Infrastructure	Cunningham School	Total
Revenues:							
Other	\$ 41,285	15,568	-	-	-	-	58,850
Total revenues	41,285	15,568	-	-	-	-	58,850
Expenditures:							
General government	156,254	-	-	-	-	-	190,235
Public safety	-	-	-	-	-	-	65,693
Public works	-	-	-	-	7,344	-	94,508
Airport	-	-	-	-	-	-	32,542
Recreation and culture	-	114,862	-	-	-	-	553,847
Capital outlay	-	-	7,508	-	-	-	7,508
Total expenditures	156,254	114,862	7,508	-	7,344	-	944,333
Excess (deficiency) of revenues over (under) expenditures	(114,969)	(99,294)	(7,508)	-	(7,344)	-	(885,483)
Other financing uses:							
Proceeds from bonds/notes	-	55,000	-	-	-	-	508,554
Transfers in	149,589	45,000	-	50,000	5,000	-	639,145
Transfers out	-	-	-	(50,000)	-	-	(95,893)
Total other financing uses	149,589	100,000	-	-	5,000	-	1,051,806
Net change in fund balances	34,620	706	(7,508)	-	(2,344)	-	166,323
Fund balances (deficits), beginning of year	380,224	4,416	6,664	-	19,384	(221,450)	517,239
Fund balances (deficits), end of year	\$ 414,844	5,122	(844)	-	17,040	(221,450)	683,562

CITY OF PRESQUE ISLE, MAINE
Solid Waste Reserve Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended December 31, 2008

	Secured Landfill Reserves	Landfill Closure	Solid Waste Expansion	Total
Revenues:				
Interest earned	\$ 35,614	68,763	-	104,377
Total revenues	35,614	68,763	-	104,377
Expenditures:				
Current:				
Solid waste	357,906	-	-	357,906
Capital outlay	-	-	1,445,508	1,445,508
Total expenditures	357,906	-	1,445,508	1,803,414
Excess (deficiency) of revenues over (under) expenditures	(322,292)	68,763	(1,445,508)	(1,699,037)
Other financing sources (uses):				
Transfers in	241,381	281,897	-	523,278
Total other financing sources and (uses)	241,381	281,897	-	523,278
Net change in fund balances	(80,911)	350,660	(1,445,508)	(1,175,759)
Fund balances (deficits), beginning of year, as restated	1,156,328	1,222,093	(1,211,020)	1,167,401
Fund balances (deficits), end of year	\$ 1,075,417	1,572,753	(2,656,528)	(8,358)

CITY OF PRESQUE ISLE, MAINE
Restricted Reserve Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended December 31, 2008

	Septic Systems	Community Center	Total
Revenues:			
Other	\$ 300	-	300
Total revenues	300	-	300
Expenditures:			
Current:			
Recreation and culture	-	12,714	12,714
Capital outlay	-	320,850	320,850
Total expenditures	-	333,564	333,564
Excess (deficiency) of revenues over (under) expenditures	300	(333,564)	(333,264)
Other financing sources:			
Proceeds from bonds/notes	-	310,000	310,000
Transfer in	-	45,893	45,893
Total other financing sources	-	355,893	355,893
Net change in fund balances	300	22,329	22,629
Fund balances (deficits), beginning of year	(3,160)	-	(3,160)
Fund balances (deficits), end of year	\$ (2,860)	22,329	19,469

NONMAJOR PERMANENT FUNDS

Nonmajor permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

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CITY OF PRESQUE ISLE, MAINE
Nonmajor Permanent Funds
Combining Balance Sheet
December 31, 2008

		Cemetery Perpetual Care	School Lunch	Volunteer Fire Dept. Fund	Bike and Walk Path Fund	Burlock/ Lavway Scholarship Fund	Total
ASSETS							
Cash and cash equivalents	\$	113,200	-	-	-	8,052	121,252
Investments		379,416	3,458	18,762	17,473	-	419,109
Total assets	\$	492,616	3,458	18,762	17,473	8,052	540,361
FUND BALANCES							
Reserved for:							
Nonexpendable principal		-	-	-	20,000	-	20,000
Unreserved, undesignated		492,616	3,458	18,762	(2,527)	8,052	520,361
Total fund balances	\$	492,616	3,458	18,762	17,473	8,052	540,361

CITY OF PRESQUE ISLE, MAINE
Nonmajor Permanent Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended December 31, 2008

	Cemetery Perpetual Care	School Lunch	Volunteer Fire Dept. Fund	Bike and Walk Path Fund	Burlock/ Lavway Scholarship Fund	Total
Revenues:						
Investment income:						
Interest income	\$ 20,435	141	967	712	-	22,255
Unrealized gain (loss)	(100,767)	(698)	(4,555)	(3,528)	-	(109,548)
Total revenues	(80,332)	(557)	(3,588)	(2,816)	-	(87,293)
Expenditures:						
Expenditures under trust agreements	17,145	-	7,400	-	419	24,964
Fees	4,097	28	194	143	-	4,462
Total expenditures	21,242	28	7,594	143	419	29,426
Net change in fund balances	(101,574)	(585)	(11,182)	(2,959)	(419)	(116,719)
Fund balances, beginning of year	594,190	4,043	29,944	20,432	8,471	657,080
Fund balances, end of year	\$ 492,616	3,458	18,762	17,473	8,052	540,361

STATISTICAL SECTION

This part of City of Presque Isle's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents

Tables

Financial Trends

1-5

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity

6-9

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity

10-12

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information

13-14

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information

15-16

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

Table 1

CITY OF PRESQUE ISLE, MAINE
Net Assets by Component
Last Four Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2005	2006	2007	2008
Governmental activities				
Invested in capital assets, net of related debt	\$ 35,369,720	\$ 36,363,913	\$ 41,075,258	\$ 47,124,474
Restricted	7,460,089	7,460,089	657,080	540,361
Unrestricted	2,484,217	3,173,693	8,459,355	7,874,580
Total governmental activities net assets	<u>\$ 45,314,026</u>	<u>\$ 46,997,695</u>	<u>\$ 50,191,693</u>	<u>\$ 55,539,415</u>

Only four years have been presented because 2005 was the year GASB Statement Number 34 was implemented.

Table 2

CITY OF PRESQUE ISLE, MAINE
Changes in Net Assets
Last Four Fiscal Years
(accrual basis of accounting)

Expenses	Fiscal Year			
	2005	2006	2007	2008
Governmental activities:				
General government	\$ 2,566,370	\$ 2,744,641	\$ 4,392,539	\$ 4,336,222
Public safety	1,991,836	1,210,298	2,651,781	2,622,451
Public works	1,677,792	1,622,073	2,653,500	2,773,241
Airport	1,257,014	1,305,590	2,184,548	2,322,768
Solid waste	1,022,685	1,490,855	1,200,123	1,175,127
Recreation and culture	1,250,133	1,216,046	1,511,065	1,533,570
Education	4,756,148	4,958,701	5,017,959	4,981,055
Outside requests	72,465	53,565	58,400	58,620
Intergovernmental (a)	485,748	507,060	-	-
Unclassified (a)	940,095	3,228,449	-	-
Interest on debt service	76,580	209,029	164,097	163,307
Total governmental activities expenses	16,096,866	18,546,307	19,834,012	19,966,361
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 69,250	\$ 82,320	\$ 754,874	\$ 775,474
Public safety	13,956	10,335	94,884	98,440
Public works	-	-	15,169	13,017
Airport	873,510	1,111,340	1,234,121	1,430,242
Solid Waste	259,275	195,067	1,016,077	761,725
Recreation and culture	-	-	427,289	415,189
Operating grants and contributions	-	651,675	745,551	233,590
Capital grants and contributions	-	1,516,858	4,792,969	7,268,068
Total governmental activities program revenues	1,215,991	3,567,595	9,080,934	10,995,745
Net (expense)/revenue				
Governmental activities	(14,880,875)	(14,978,712)	(10,753,078)	(8,970,616)
Total primary government net (expense)/revenue	\$ (14,880,875)	\$ (14,978,712)	\$ (10,753,078)	\$ (8,970,616)
General Revenues and other Changes in Net Assets				
Governmental activities:				
Taxes:				
Property taxes, levied for general purposes	\$ 10,365,232	\$ 10,518,060	\$ 10,558,300	\$ 10,693,926
Motor vehicle excise tax	1,431,365	1,461,342	1,472,532	1,452,219
Cable television franchise	-	-	51,284	56,916
Unrestricted grants and contributions	5,599,125	1,629,578	2,202,873	2,360,645
Miscellaneous	2,048,659	2,765,021	328,493	491,266
Interest and investment earnings	-	-	427,397	271,354
Total governmental activities	\$ 19,444,381	\$ 16,374,001	\$ 15,040,879	\$ 15,326,326
Change in Net Assets				
Governmental activities	\$ 4,563,506	\$ 1,395,289	\$ 4,287,801	\$ 6,355,710
Total primary government	\$ 4,563,506	\$ 1,395,289	\$ 4,287,801	\$ 6,355,710

Only four years have been presented because 2005 was the year GASB Statement Number 34 was implemented.

(a) Beginning in the fiscal year ending December 31, 2007, the City changed the way it accounts for intergovernmental and unclassified expenses.

Table 3

CITY OF PRESQUE ISLE, MAINE
Program Revenues by Function/Program
Last Four Fiscal Years
(accrual basis of accounting)

Function/Program	Fiscal Year			
	2005	2006	2007	2008
Governmental activities:				
General government	\$ 69,250	\$ 82,320	\$ 1,009,704	\$ 794,704
Public safety	13,956	10,335	401,175	160,295
Public works	-	-	383,722	1,773,055
Airport	873,510	1,111,340	5,658,537	6,938,272
Solid waste	259,275	846,742	1,147,579	893,196
Recreation and culture	-	-	480,217	436,223
Unclassified (a)	-	1,516,858	-	-
Total governmental activities	<u>1,215,991</u>	<u>3,567,595</u>	<u>9,080,934</u>	<u>10,995,745</u>
Total primary government	<u>\$ 1,215,991</u>	<u>\$ 3,567,595</u>	<u>\$ 9,080,934</u>	<u>\$ 10,995,745</u>

Only four years have been presented because 2005 was the year GASB Statement Number 34 was implemented.

(a) Beginning in the fiscal year ending December 31, 2007, the City changed the way it accounts for unclassified revenues.

CITY OF PRESQUE ISLE, MAINE
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General fund										
Reserved	\$ -	\$ 18,475	\$ 13,583	\$ 19,023	\$ 19,022	\$ 19,949	\$ -	\$ -	\$ -	\$ -
Unreserved	<u>2,645,091</u>	<u>3,067,091</u>	<u>3,151,115</u>	<u>2,240,152</u>	<u>2,690,529</u>	<u>2,688,889</u>	<u>3,265,826</u>	<u>2,890,755</u>	<u>3,464,879</u>	<u>3,108,754</u>
Total general fund	<u>\$ 2,645,091</u>	<u>\$ 3,085,566</u>	<u>\$ 3,164,698</u>	<u>\$ 2,259,175</u>	<u>\$ 2,709,551</u>	<u>\$ 2,708,838</u>	<u>\$ 3,265,826</u>	<u>\$ 2,890,755</u>	<u>\$ 3,464,879</u>	<u>\$ 3,108,754</u>
All other governmental funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 960,231	\$ 939,958
Unreserved, reported in:										
Special revenue funds	3,199,488	3,082,584	3,319,286	3,369,070	3,617,301	3,315,752	3,923,191	4,601,761	3,949,102	4,102,489
Capital projects funds	785,729	(404,246)	330,358	2,028,698	1,977,247	3,753,096	2,936,418	2,471,001	1,770,159	736,590
Permanent Funds	<u>658,361</u>	<u>675,924</u>	<u>634,454</u>	<u>575,231</u>	<u>604,715</u>	<u>606,726</u>	<u>600,480</u>	<u>632,750</u>	<u>657,080</u>	<u>520,361</u>
Total all other governmental funds	<u>\$ 4,643,578</u>	<u>\$ 3,354,262</u>	<u>\$ 4,284,098</u>	<u>\$ 5,972,999</u>	<u>\$ 6,199,263</u>	<u>\$ 7,675,574</u>	<u>\$ 7,460,089</u>	<u>\$ 7,705,512</u>	<u>\$ 7,336,572</u>	<u>\$ 6,299,398</u>

Table 5

CITY OF PRESQUE ISLE, MAINE
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Revenues										
Taxes	\$ 8,177,860	\$ 8,714,913	\$ 8,417,769	\$ 9,392,383	\$ 9,459,360	\$ 9,485,620	\$ 10,365,232	\$ 10,513,597	\$ 10,501,675	\$ 10,454,926
Excise taxes	1,074,155	1,136,209	1,207,300	1,270,705	1,335,952	1,424,302	1,431,365	1,461,342	1,472,532	1,452,219
Intergovernmental	3,620,682	2,805,323	3,162,431	2,797,152	4,689,150	5,315,027	5,599,125	3,798,111	7,741,393	8,332,303
Licenses and permits	-	-	-	-	-	-	-	-	269,051	342,446
Charges for services	854,056	866,619	805,487	733,604	783,395	929,121	1,215,991	1,399,062	2,841,771	2,983,408
Unclassified	1,552,376	2,094,912	2,368,879	1,942,209	2,088,384	1,944,095	2,048,659	2,765,021	811,369	716,415
Interest	-	-	-	-	-	-	-	-	427,397	271,354
Total revenues	15,279,129	15,617,976	15,961,866	16,136,053	18,356,241	19,098,165	20,660,372	19,937,133	24,065,188	24,553,071
Expenditures										
General government	1,875,605	1,875,405	2,094,896	2,184,533	2,273,452	2,340,870	2,434,977	2,613,998	3,219,552	3,368,689
Public safety	1,542,951	1,618,884	1,666,371	1,732,843	1,796,569	1,962,892	1,908,859	2,106,322	2,464,973	2,369,920
Public works	1,302,727	1,376,607	1,504,670	1,530,336	1,385,383	1,423,063	1,677,792	1,622,073	1,916,205	2,102,537
Airport	641,881	742,584	679,857	626,425	651,721	724,431	923,542	1,247,597	6,085,012	7,272,965
Solid waste	668,563	883,508	1,733,399	1,497,468	1,403,144	1,227,938	1,276,692	1,459,329	919,156	1,283,177
Recreation & culture	897,548	921,671	927,925	916,369	953,247	1,010,848	1,065,165	1,167,070	1,376,823	1,962,418
Education	3,637,266	3,842,972	3,864,438	4,052,587	4,284,354	4,533,234	4,756,148	4,958,701	5,017,959	4,981,055
Agency	68,028	55,187	54,581	59,042	62,904	81,576	72,465	53,565	58,400	58,620
County tax	356,616	337,803	368,435	437,893	452,708	458,477	485,748	507,060	514,577	554,661
Other	1,141,265	795,529	838,980	801,170	187,871	1,135,829	554,952	343,237	214,173	139,960
Capital outlay	3,587,450	3,748,256	3,629,355	1,243,912	3,794,881	2,305,324	5,964,394	2,900,816	3,217,837	2,309,536
Debt service:										
Principal	86,756	98,469	105,376	247,827	322,903	332,501	308,221	257,503	216,955	268,016
Interest expense	121,605	181,148	62,783	132,270	110,464	85,584	76,580	209,029	158,453	203,350
Total expenditures	15,928,261	16,478,023	17,531,066	15,462,675	17,679,601	17,622,567	21,505,535	19,446,300	25,380,075	26,874,904
Excess of revenues over (under) expenditures	(649,132)	(860,047)	(1,569,200)	673,378	676,640	1,475,598	(845,163)	490,833	(1,314,887)	(2,321,833)
Other financing sources (uses)										
Proceeds from debt issuance	250,000	-	2,600,000	110,000	-	-	566,185	-	1,145,000	928,534
Transfers in	1,277,239	1,732,392	1,818,417	3,343,619	1,256,278	1,361,506	1,896,819	1,891,927	1,668,655	2,227,856
Transfers out	(1,277,239)	(1,732,392)	(1,818,417)	(3,343,619)	(1,256,278)	(1,361,506)	(1,896,819)	(1,891,927)	(1,668,655)	(2,227,856)
Total other financing sources (uses)	250,000	-	2,600,000	110,000	-	-	566,185	-	1,145,000	928,534
Net change in fund balances	\$ (399,132)	\$ (860,047)	\$ 1,030,800	\$ 783,378	\$ 676,640	\$ 1,475,598	\$ (278,978)	\$ 490,833	\$ (169,887)	\$ (1,393,299)
Debt service as a percentage of noncapital expenditures	1.7%	2.2%	1.2%	2.7%	3.1%	2.7%	2.5%	2.8%	1.7%	1.9%

Table 6

CITY OF PRESQUE ISLE, MAINE
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Tax Roll Year	Real Property	Taxable Personal Property	Total Taxable Assessed Value	Total Direct Tax Value	Estimated Actual Taxable Value (a)	Assessed Value as a Percentage of Actual Value
1999	\$ 290,494,000	\$ 30,822,200	\$ 321,316,200	24.72	\$ 339,500,000	94.64%
2000	300,422,200	35,996,800	336,419,000	24.72	339,500,000	99.09%
2001	310,516,000	37,858,800	348,374,800	24.74	345,300,000	100.89%
2002	309,619,100	41,069,500	350,688,600	25.22	360,250,000	97.35%
2003	307,522,300	43,449,900	350,972,200	26.30	362,500,000	96.82%
2004	312,697,400	43,449,900	356,147,300	26.70	370,750,000	96.06%
2005	320,346,700	44,663,200	365,009,900	26.70	398,050,000	91.70%
2006	329,345,150	45,763,200	375,108,350	26.20	422,550,000	88.77%
2007	356,249,410	46,059,200	402,308,610	26.15	436,300,000	92.21%
2008	411,743,200	50,234,100	461,977,300	23.15	490,850,000	94.12%

(a) Source: State of Maine, Bureau of Property Taxation, Property Division

Table 7

CITY OF PRESQUE ISLE, MAINE
Direct and Overlapping Property Tax Rates (Per \$1,000 of Assessed Value)
Direct and Overlapping Governments
Last Ten Fiscal Years

Tax Year	Direct Rates			Overlapping Rates		Total
	Basic Rate	Debt Service	Total Direct	Aroostook County	M.S.A.D. #1	Total Tax rate
1999	12.82	0.11	12.93	1.05	10.74	24.72
2000	12.46	0.38	12.84	0.96	10.92	24.72
2001	12.20	0.70	12.90	1.02	10.68	24.60
2002	11.85	1.20	13.05	1.18	10.96	25.19
2003	12.00	1.33	13.33	1.24	11.73	26.30
2004	11.98	1.25	13.23	1.24	12.23	26.70
2005	11.73	1.11	12.84	1.29	12.57	26.70
2006	11.51	1.08	12.59	1.26	12.35	26.20
2007	11.30	1.09	12.39	1.31	12.45	26.15
2008	9.89	1.28	11.17	1.20	10.78	23.15

Table 8

CITY OF PRESQUE ISLE, MAINE
Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2008			1999		
	Assessed Valuation	Rank	Percentage of Total Assessed Value	Assessed Valuation	Rank	Percentage of Total Assessed Value
Aroostook Centre LLC	\$ 16,625,000	1	3.60%	\$ 23,209,400	1	6.90%
Maine Public Service Co	14,498,900	2	3.14%	9,988,800	2	2.97%
Wal-Mart	11,714,600	3	2.54%	5,427,800	3	1.61%
R & L Real Estate LLC	9,727,100	4	2.11%			
Dalton Scovil				4,491,400	4	1.33%
Lowe's Home Centers, Inc	8,616,300	5	1.87%			
Cavendish Farms				3,358,600	5	1.00%
Leisure Gardens Inc	6,141,800	6	1.33%			
Juster, Doris & Ann				3,224,500	6	0.96%
MMG Insurance Co	5,670,800	7	1.23%			
Maine Potato Growers Inc				3,151,600	7	0.94%
Columbia Forest Products, Inc	4,886,200	8	1.06%			
Leisure Gardens, Inc				3,132,200	8	0.93%
Halvorson, Philip H	4,332,050	9	0.94%			
McCain Processing				2,721,600	9	0.81%
Maine Potato Growers Inc	4,246,600	10	0.92%			
North Plaza Shopping				2,409,900	10	0.72%
	<u>86,459,350</u>		<u>18.72%</u>	<u>61,115,800</u>		<u>18.16%</u>
Total Assessed Valuation	\$ 461,977,300			\$ 336,599,900		

Table 9

CITY OF PRESQUE ISLE, MAINE
Total Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Tax Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1999	\$ 7,943,450	\$ 7,450,567	93.80%	\$ 492,233	\$ 7,942,800	99.99%
2000	8,316,276	7,798,419	93.77%	517,857	8,316,276	100.00%
2001	8,389,345	7,570,545	90.24%	818,627	8,389,172	100.00%
2002	8,844,366	8,176,961	92.45%	664,171	8,841,132	99.96%
2003	9,219,178	8,512,541	92.34%	702,805	9,215,346	99.96%
2004	9,509,133	8,714,377	91.64%	794,030	9,508,407	99.99%
2005	9,750,764	8,929,182	91.57%	795,423	9,724,605	99.73%
2006	10,525,029	9,986,789	94.89%	510,408	10,497,197	99.74%
2007	10,520,370	9,854,447	93.67%	415,681	10,270,128	97.62%
2008	10,694,774	9,945,691	93.00%	-	9,945,691	93.00%

Table 10

CITY OF PRESQUE ISLE, MAINE
Ratios of Net General Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Capital Lease	Notes Payable	Total	Personal Income (a)	Percentage of Personal Income	Population (b)	Per Capita	Percentage of Estimated Actual Taxable Value of Property (c)
1999	\$ 769,434	\$ -	\$ 245,348	\$ 1,014,782	\$ 187,224,035	0.54%	9,511	106.70	0.23%
2000	680,452	-	235,861	916,313	197,995,005	0.46%	9,503	96.42	0.20%
2001	3,185,617	125,882	225,320	3,536,819	208,600,785	1.70%	9,369	377.50	0.92%
2002	3,058,955	203,877	289,655	3,552,487	218,090,266	1.63%	9,377	378.85	0.85%
2003	2,773,830	148,052	251,877	3,173,759	227,131,814	1.40%	9,386	338.14	0.77%
2004	2,482,924	89,636	210,282	2,782,842	232,109,820	1.20%	9,385	296.52	0.67%
2005	2,589,258	28,520	423,028	3,040,806	243,079,971	1.25%	9,377	324.28	0.65%
2006	2,527,956	-	70,136	2,598,092	243,079,971	1.07%	9,377	277.07	0.60%
2007	3,456,003	-	57,370	3,513,373	247,203,840	1.42%	9,285	378.39	0.79%
2008	3,166,684	-	966,978	4,133,662	254,002,800	1.63%	9,200	449.31	0.65%

(a) See Table 14

(b) See Table 14

(c) See Table 8. General Obligation Bond divided by the Estimated Actual Taxable Value.

CITY OF PRESQUE ISLE, MAINE
Direct and Overlapping Governmental Activities Debt
December 31, 2008

Jurisdiction	Debt Outstanding	Percentage Applicable to Government	Amount Applicable to Government
Direct:			
City of Presque Isle General Obligation	\$ 3,166,684	100.00%	\$ 3,166,684
City of Presque Isle Notes Payable	966,978	100.00%	966,978
Total direct debt	4,133,662		4,133,662
Overlapping:			
Presque Isle Industrial Council	228,226	100.00%	228,226
M.S.A.D. #1	2,914,884	75.32%	2,195,491
Aroostook County	-	0.00%	-
Total overlapping debt	3,143,110		2,423,717
Total direct and overlapping debt	\$ 7,276,772		\$ 6,557,379

Note: Annually, Aroostook County assesses each municipality its proportionate share of the County tax required to fund the County budget. Annually, M.S.A.D. #1 assesses each municipality its proportionate share of the School assessment required to fund the School budget. The County tax and School assessments applicable to the City of Presque Isle is included in the total property tax levy of the City of Presque Isle.

Sources: The outstanding debt for Aroostook County has been provided by the County. The percentage applicable to the City of Presque Isle is based on the ratio of the State equalized assessed valuation for the City of Presque Isle versus the equalized State valuation for Aroostook County.

The outstanding debt for M.S.A.D. #1 has been provided by the District. The percentage applicable to the City of Presque Isle is based on the ratio of the State equalized assessed valuation for the City of Presque Isle versus the equalized State valuation of all municipalities located within the District.

CITY OF PRESQUE ISLE, MAINE
Legal Debt Margin Information
December 31, 2008

The amount of debt a Maine municipality may have is governed by title 30-A.M.R.S.A. section 5702. The law limits total debt and debt for specific categories. Total debt cannot exceed 7.5% of the City's last full State Valuation. Debt for specific categories is limited to a percentage of State Valuation. As the following table indicates, based on a 2008 State Valuation of \$490,850,000, the City is in compliance with the total and categorical debt limits:

Debt Limit by Category

<u>Type of Debt</u>	<u>Maximum Percent Allowable</u>	<u>Maximum Amount Allowable</u>	<u>Principal Amount Outstanding</u>	<u>Legal Debt Margin</u>
Municipal	7.50%	36,813,750	3,166,684	33,647,066
Total Maximum Debt	7.50%	\$ 36,813,750	\$ 3,166,684	\$ 33,647,066

Legal Debt Margin Calculation for Fiscal Year 2008

State Valuation	\$ 490,850,000
Debt Limit - 7.5% of State Valuation	36,813,750
Less outstanding debt applicable to debt limit	<u>(3,166,684)</u>
Legal Debt Margin	<u>\$ 33,647,066</u>

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Debt limit	\$ 25,244,993	\$ 25,231,425	\$ 26,128,110	\$ 26,301,645	\$ 26,290,433	\$ 27,793,028	\$ 28,369,256	\$ 28,133,126	\$ 32,722,500	\$ 36,813,750
Total debt applicable to limit	<u>1,014,782</u>	<u>-</u>	<u>3,185,617</u>	<u>3,058,955</u>	<u>2,773,830</u>	<u>2,482,924</u>	<u>2,589,258</u>	<u>2,378,744</u>	<u>3,456,003</u>	<u>3,166,684</u>
Legal debt margin	\$ 24,230,211	\$ 25,231,425	\$ 22,942,493	\$ 23,242,690	\$ 23,516,603	\$ 25,310,104	\$ 25,779,998	\$ 25,754,382	\$ 29,266,497	\$ 33,647,066
Total debt applicable to the limit as a percentage of debt limit	4.02%	0.00%	12.19%	11.63%	10.55%	8.93%	9.13%	8.46%	10.56%	8.60%

Table 13

CITY OF PRESQUE ISLE, MAINE
Principal Employers
Current Year and Nine Years Ago

Employer	2008		1999	
	Employees	Rank	Employees	Rank
Aroostook Medical Center	1000-4999	1		
Burrelle's Press Clipping Service	500-999	2	Information not available	
Wal-Mart Superstore	250-499	3		
University of Maine at Presque Isle	250-499	4		
Columbia Forest Products	250-499	5		
MSAD #1	250-499	6		
Northern Maine Community College	100-249	7		
Presque Isle Nursing Home	100-249	8		
Lowe's	100-249	9		
K-Mart	100-249	10		

Source: State of Maine, Department of Labor

Table 14

CITY OF PRESQUE ISLE, MAINE
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population (a)	Personal Income (b)	Per Capita Personal Income (a)	School Enrollment (d)	Unemployment Rate (c)
1999	9,511	187,224,035	19,685	1,578	5.40%
2000	9,503	197,995,005	20,835	1,610	4.10%
2001	9,369	208,600,785	22,265	1,657	4.40%
2002	9,377	218,090,266	23,258	1,612	5.20%
2003	9,386	227,131,814	24,199	1,569	6.10%
2004	9,385	232,109,820	24,732	1,567	6.20%
2005	9,377	243,079,971	25,923	1,578	6.50%
2006	9,377	243,079,971	25,923	1,490	6.50%
2007	9,285	247,203,840	26,624	1,460	4.60%
2008	9,200	254,002,800	27,609	1,447	7.70%

(a) Source: City of Presque Isle

(b) Source: Bureau of Economic Analysis

(c) Source: Bureau of Labor Statistics, rates for Aroostook County

(d) Source: State of Maine, Department of Education

Table 15

CITY OF PRESQUE ISLE, MAINE
Full-time Employees by Function/Program
Last Ten Fiscal Years

Function	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Government										
City Manager	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Administrative Assistant	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Custodian	0.00	0.00	0.00	0.50	0.00	0.00	0.00	0.00	0.00	0.00
Council	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
Planning Development										
Director	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Administrative Assistant	1.50	1.50	1.75	1.75	1.75	1.75	1.75	1.75	1.00	1.00
Development Specialist	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Tax Assessor	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	3.00	3.00
Code Enforcement	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Emergency Management	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Human Resources										
Director	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Payroll	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Welfare	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.75
Finance										
Director	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Accounts Payable	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Tax Collector	3.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
City Clerk	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Police										
Chief	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Administrative Assistant	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Detective	1.00	1.00	1.00	1.00	1.00	1.00	2.00	2.00	2.00	1.00
MDEA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.00	1.00	1.00
Sergeant	4.00	4.00	4.00	4.00	4.00	4.00	4.00	3.00	4.00	5.00
Patrol Officer	12.00	12.00	12.00	12.00	13.00	13.00	12.00	12.00	12.00	12.00
Dispatcher	4.00	4.00	3.00	3.00	2.00	2.00	2.00	2.00	2.00	2.00
Parking Enforcement	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Crossing Guard	2.00	2.50	2.50	2.50	2.00	2.00	2.00	2.00	2.00	2.00
Animal Control Officer	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Custodian	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Fire										
Chief	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Deputy Chief	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Firefighters	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00
Volunteers	35.00	34.00	37.00	36.00	41.00	33.00	32.00	33.00	33.00	33.00

Table 15, cont.

CITY OF PRESQUE ISLE, MAINE
Full-time Employees by Function/Program, continued
Last Ten Fiscal Years

Function	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Solid Waste										
Director	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Administrative Assistant	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	1.00	1.00
Equipment Operations	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Library										
Director	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Librarians	6.00	6.00	6.00	6.00	5.50	5.50	5.50	5.50	6.00	6.00
Public Works										
Director	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Supervisor	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Administrative Assistant	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Truck Drivers	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00
Mechanic	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Laborer	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Airport										
Director	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Administrative Assistant	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Maintenance	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Forum										
Director	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Administrative Assistant	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Maintenance	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Staff	2.50	2.00	1.50	1.50	2.50	3.50	2.50	2.00	2.00	2.00
Recreation Department										
Director	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Program Director	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Administrative Assistant	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Maintenance	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Indoor Pool										
Director	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Assistant Director	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Staff	2.00	3.00	4.00	3.00	4.00	4.00	3.00	4.00	4.00	3.50
Total	153.75	154.75	157.75	156.25	161.75	154.75	151.75	153.25	155.75	155.50

Table 16

CITY OF PRESQUE ISLE, MAINE
Operating Indicators by Function/Program
Last Ten Fiscal Years

Function	Fiscal Year									
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Code enforcement										
Residential construction value	\$2,677,664	\$ 2,273,610	\$ 2,047,736	\$ 2,366,618	\$ 2,444,129	\$ 2,987,124	\$ 3,181,351	\$ 3,160,103	\$ 2,649,484	\$ 2,745,577
Number of permits	126	133	143	126	109	127	111	121	100	123
Commercial construction value	6,825,571	5,754,262	6,500,871	8,838,274	5,399,798	1,085,707	7,669,473	15,095,886	3,985,871	13,184,277
Number of permits	44	49	60	47	61	59	71	68	74	66
Fire Department										
Fire Calls	n/a	n/a	n/a	n/a	164	286	272	263	252	305
First Response Calls	n/a	n/a	n/a	n/a	59	69	63	68	71	59
Inspections	n/a	n/a	n/a	n/a	540	590	610	575	580	552
Police										
Calls for Service	6,062	5,275	6,653	6,225	6,887	6,538	6,379	6,001	6,176	6,184
Criminal Arrests	569	393	459	398	580	503	655	450	436	648
Vehicle Stops	3,075	3,052	4,332	3,935	3,709	4,564	3,817	4,541	4,819	5,173
Accidents	382	550	309	416	298	393	357	324	373	327
Library										
Total materials circulated	93,689	88,479	88,102	95,573	87,023	109,204	111,208	117,315	122,792	130,498
Total materials borrowed	65,112	59,243	56,364	57,891	53,894	60,008	62,134	61,545	61,048	62,608
Total print items in collection	67,000	6,657	74,951	74,951	55,955	53,895	57,689	64,104	60,634	63,560
Total program participants	1,726	1,398	1,413	1,319	924	2,878	3,078	4,020	4,591	4,736
Public Works										
Road/Street Resurfacing (miles)	n/a	n/a	n/a	n/a	n/a	6.38	6.13	4.84	12.04	6.34
Solid Waste										
Refuse Collected (tons)	14,464	14,912	18,211	14,593	14,630	15,133	15,039	20,111	21,433	13,873
Recyclable Collected (tons)	3,451	6,141	8,634	5,134	7,099	5,827	5,719	6,943	7,995	n/a
Municipal Recycling Rate (a)	36.1%	41.7%	50.4%	43.0%	59.2%	49.0%	47.6%	51.1%	51.8%	n/a

CITY OF PRESQUE ISLE, MAINE
Operating Indicators by Function/Program
Last Ten Fiscal Years

<u>Function</u>	<u>Fiscal Year</u>									
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
The Forum										
Major Events	13	11	13	13	11	12	10	10	15	15
Support for Events	3	3	3	3	3	3	11	15	11	15
Weeks of Ice	23	22	24	24	24	24	22	23	23	23
Recreation Parks										
Non-Aquatic Programs										
Youth Participants	n/a	n/a	n/a	4,894	5,345	4,809	4,664	4,012	4,084	3,878
Adult Participants	n/a	n/a	n/a	1,719	1,595	1,722	1,528	1,322	1,466	1,345
Aquatic Programs										
Indoor Pool Participants	45,775	50,794	47,645	44,336	44,303	45,635	43,895	40,335	41,179	32,033
Outdoor Pool Participants	n/a	n/a	n/a	5,371	4,545	5,235	5,212	6,635	6,905	5,641
Mantle Lake Park Attendance	22,449	15,137	18,029	21,005	18,355	18,470	13,755	10,632	15,195	14,093
Airport										
Enplanements	28,911	25,113	17,556	16,691	15,343	16,268	16,207	16,253	15,866	13,496
Deplanements	29,428	25,822	17,254	16,449	15,875	16,197	16,173	16,852	15,662	13,768

Sources: Various City Departments

n/a ---- information not available

(a) Percentages provided by the State Planning Office

